Supreme Court, U.S.
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No. 00-

IN THE

Supreme Court of the United States

RIVERWOOD INTERNATIONAL CORPORATION,

Petitioner,

v.

THE MEAD CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

On remand from this Court in 1987, the Federal Circuit held in *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561, *cert. denied*, 481 U.S. 1052 (1987) that in reviewing a judgment invalidating a United States patent for obviousness, the Federal Circuit must consider not only whether there is error in the legal conclusion of obviousness but also *must* review the underlying findings of fact. The Federal Circuit issued this opinion on direction from the Supreme Court to explicitly set forth the proper scope of review for the obviousness determination under 35 U.S.C. § 103. *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986). Thus, the questions presented here are:

Whether the Federal Circuit erred by invalidating petitioner's patent as obvious without undertaking the required review of the underlying findings of fact and without even acknowledging petitioner's assertion of numerous clear errors in those findings that would require upholding the district court's conclusion that the patent was not invalid for obviousness?

Whether a court of appeals may deny a party that prevailed in the district court from an opportunity to be heard on clear errors in the findings of fact underlying the district court's judgment, where such party was precluded, as prevailing party, from appealing the district court's judgment, and where appellate review of such findings of fact would require affirming the district court's judgement?

CORPORATE DISCLOSURE STATEMENT

Petitioner Riverwood International Corporation is owned by RIC Holding Inc., which is owned by Riverwood Holding Inc.

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Petitioner respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The Federal Circuit's Opinion (App. A) is reported at *Riverwood International Corp. v. The Mead Corp.*, 212 F.3d 1365, 54 U.S.P.Q.2d 1763 (Fed. Cir. 2000). The district court's opinion (App. B) is unreported but may be cited as *Riverwood International Corp. v. The Mead Corp.*, No. 1:94-CV-0090-CAM (N.D. Ga. Jan. 13, 1999). The special master's report (App. C) is unreported but may be cited as *Riverwood International Corp. v. The Mead Corp.*, No. 1:94-CV-0090-CAM (N.D. Ga. Mar. 9, 1998).

STATEMENT OF JURISDICTION

The judgment of the United States Court of Appeals for the Federal Circuit was entered on May 17, 2000. The Federal Circuit entered an order denying a timely petition for rehearing and petition for rehearing en banc on June 22, 2000 (App. D).

The jurisdiction of this court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

This case involves 35 U.S.C. § 103(a), which states:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences

> between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

STATEMENT OF THE CASE

This is a patent infringement case in which petitioner filed suit alleging that respondent was infringing upon claims one and thirteen of petitioner's United States Patent No. 5,241,806 (the '806 patent). Generally, the '806 patent relates to an invention for placing articles, such as bottles or cans, into cartons. Petitioner manufactures and leases machines that are covered by the '806 patent.

Respondent denied petitioner's allegations of infringement and counterclaimed alleging that claims one and thirteen of the '806 were invalid for obviousness and that petitioner's '806 patent was unenforceable due to inequitable conduct. After discovery, the district court appointed a special master to receive evidence from the parties on the liability issues of patent infringement, validity, and enforceability.[1] Although the parties initially demanded a jury trial, that demand was withdrawn and the proceedings became a nonjury matter.

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1. The issue of damages was not before the special master due to a previous order bifurcating the trial of this case.

Following a seven day trial, the special master issued a report. *See* App. C. After setting forth the findings of fact, the special master reported the following conclusions of law: (1) respondent was infringing claims one and thirteen of petitioner's '806 patent; (2) the '806 patent was not unenforceable for inequitable conduct; and (3) claims one and thirteen of the '806 patent were invalid for obviousness. App. C at 57a. Thereafter, both parties made application to the district court and filed numerous objections to the special master's report. More specifically, petitioner presented errors in both the special master's findings of fact and conclusions of law. App. B at 8a.

On consideration of the special master's report, the district court noted that pursuant to Rule 53 of the Federal Rules of Civil Procedure, the district court had to accept the findings of fact made by the special master unless clearly erroneous. Without specifically addressing *any* of the errors in the findings of fact asserted by the petitioner, the district court accepted the special master's findings of fact, finding none clearly erroneous. App. B at 9a.

Turning to the conclusions of law, the district court adopted both the special master's conclusion of infringement and conclusion that the patent was not unenforceable for inequitable conduct. However, the district court rejected the special master's conclusion that claims one and thirteen were invalid for obviousness. App. B at 13a. Instead, the district court found that the special master had improperly focused on the obviousness of substituting a particular element to create petitioner's invention rather that viewing the invention as a whole as required by 35 U.S.C. § 103. App. B at 11a-12a. The district court also noted that the special master had improperly pitted his own opinion on obviousness against the evidence

presented during the proceedings before the special master. App. B at 11a-13a. Accordingly, the district court entered judgment in favor of petitioner, concluding that respondent had not carried the burden of proving, by clear and convincing evidence, that claims one and thirteen of petitioner's '806 patent were invalid. App. B at 13a-15a.

Respondent appealed the district court's judgement to the United States Court of Appeals for the Federal Circuit. Of particular relevance here, respondent's Notice of Appeal indicates only that it was appealing the district court's judgement, which would include the district court's legal conclusions and underlying findings of fact. App. E. Upon receiving respondent's Brief of Appellant, petitioner learned respondent was only challenging the district court's legal conclusion that the patent was not invalid for obviousness. Respondent did not challenge the findings of fact underlying the legal conclusion of nonobviousness, the legal conclusion of infringement, nor the legal conclusion of no inequitable conduct. Brief of Appellant at 1.

Petitioner's response in its Brief of Appellee was two-fold: First, petitioner presented reasons for affirming the district court's legal conclusion that respondent had not carried the burden of proving by clear and convincing evidence that claims one and thirteen of petitioner's patent were invalid for obviousness. Second, in the event the Federal Circuit decided this legal conclusion was incorrect based on the district court's underlying findings of fact, petitioner presented numerous clear errors in those findings of fact that upon review would require the Federal Circuit to affirm the district court's legal conclusion, albeit on different grounds. Brief of Appellee at 30-62. Furthermore, at oral argument before the Federal Circuit, in response to a question from

the bench, petitioner specifically asserted that the district court's factual findings contained clear errors that must be reviewed before reversing the district court's legal conclusion.

Nevertheless, in its written opinion, the Federal Circuit did not even acknowledge petitioners assertion of clear errors in the district court's underlying findings of fact. App. A. Instead, the Federal Circuit expressly indicated that it was limiting its scope of view solely to the district court's legal conclusion of obviousness because the *respondent* did not challenge the findings of fact:

> In this case, the district court has accepted all of the special master's findings of fact, and the appellant [Mead] does not challenge any of them. Our task is to examine the findings related to the factors articulated in Graham and determine whether the district court erred by deciding that the claims were not obvious as a matter of law.

App. A at 4a.

Accordingly, in its written opinion, the Federal Circuit simply repeated the facts as adopted by the district court from the special master's report. Based on these facts, the Federal Circuit concluded that "we are led to the ineluctable conclusion that claims one and thirteen of the '806 patent are invalid." App. at 6a.

Petitioner then filed with the Federal Circuit a Petition for Rehearing and Petition for Rehearing En Banc. Therein, petitioner asserted that under *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561 (Fed. Cir. 1987) the

Federal Circuit, sitting in review of an obviousness determination, must review not only the legal conclusion of obviousness but also the underlying findings of fact. Without comment, the Federal Circuit denied petitioner's Petition for Rehearing and Petition for Rehearing En Banc. App. at D.

REASONS FOR GRANTING THE WRIT

I.

THE DECISION OF THE COURT OF APPEALS CONFLICTS WITH PRIOR DECISIONS OF THE FEDERAL CIRCUIT AND THE SUPREME COURT'S DIRECTIVE TO ESTABLISH A SCOPE OF REVIEW.

The Federal Circuit's decision in this case is in direct conflict with the scope of review established by the Federal Circuit over 13 years ago in *Panduit Corp. v. Dennison Manufacturing Co.*, (*Panduit II*), 810 F.2d 1561 (Fed. Cir. 1987), *cert. denied*, 481 U.S. 1052 (1987).

In *Panduit II,* the Federal Circuit unequivocally described the scope of review for a 35 U.S.C. § 103 obviousness determination:

> On review of a judgment based on a conclusion of obviousness under 35 U.S.C. § 103, this court *must* consider not only whether there is legal error, *but also* whether the underlying findings are either nonprobative, or clearly erroneous, or both.

Id. at 1565 (emphasis added). In the present case, despite the appeal of a judgment based on a conclusion of obviousness under 35 U.S.C. § 103, the Federal Circuit did

not review the findings of fact underlying the district court's legal conclusion of nonobviousness. Furthermore, both in brief and oral argument before the Federal Circuit, petitioner asserted numerous clear errors in the underlying findings of fact that would lead to affirming the district court's judgment. Without review or even summary acknowledgment of these clear errors raised by petitioner, the Federal Circuit reversed the district court's legal conclusion of nonobviousness and invalidated claims one and thirteen of petitioner's patent. *See* App. A.

More surprisingly, the Federal Circuit expressly indicated that its scope of review was limited to the district court's legal conclusion of nonobviousness because the *respondent* (the appellant below) did not appeal the findings of fact. App. A at 4a. Thus, in addition to an unexplained departure from its own precedent, the Federal Circuit defined its scope of review based on what was challenged by respondent and ignored petitioner's assertion of clear errors in the findings of fact. Petitioner respectfully asserts that under the Federal Circuit's precedent and fairness to parties before the courts, petitioner should have an opportunity to be heard on these issues.

By not following the scope of review it created, the Federal Circuit's decision in this case also conflicts with the Supreme Court's instruction to the Federal Circuit, in 1986, to establish a scope of review for the obviousness determination.

In *Panduit Corp. v. Dennison Manufacturing Co., Inc., (Panduit I)*, 774 F.2d 1082 (Fed. Cir. 1985), the district court held that certain claims of Panduit's patent were invalid on the ground of obviousness. On an appeal by Panduit, the

Federal Circuit reversed after carefully discussing "numerous errors" in the district court's obviousness determination. *Id.* at 1091-1100. While its opinion was lengthy and reflected a careful examination of the proceedings in the district court, the Federal Circuit failed to set forth its scope of review of the district court's obviousness determination.

Dennison then petitioned the Supreme Court for a writ of certiorari. As set forth in the opinion of the Supreme Court, Dennison asserted that the Federal Circuit had ignored the clearly erroneous scope of review required by Federal Rule of Civil Procedure 52(a) for underlying findings of fact by the district court. *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809, 810 (1986). After noting that Dennison's claims were "not insubstantial", the Supreme Court indicated:

> The Federal Circuit, however, did not mention Rule 52(a), did not explicitly apply the clearly-erroneous standard to any of the District Court's findings on obviousness, and did not explain why, if it was of that view, Rule 52(a) had no applicability to this issue. We therefore lack an adequate explanation of the basis for the Court of Appeals' judgment: most importantly, we lack the benefit of the Federal Circuit's informed opinion on the complex issue of the degree to which the obviousness determination is one of fact.

Id. at 811. The Supreme Court granted the petition for certiorari, vacated the Federal Circuit's judgment, and remanded the case for further consideration in light of Rule 52(a). *Id.*

Therefore, as directed by the Supreme Court on remand in *Panduit II*, the Federal Circuit unequivocally established the scope of review for a district court's obviousness determination. *Panduit Corp. v. Dennison Manufacturing Corp.*, 810 F.2d 1561, 1565 (Fed. Cir. 1987). As for the factual findings that support the decision of obviousness or nonobviousness, the Federal Circuit held that such must be probative and not clearly erroneous. *Id.* As for the decision of whether the invention is obvious or nonobvious, the Federal Circuit held that such is a legal conclusion based on the factual findings. *Id.*[2]

Most relevant here, the Federal Circuit stated that *both* the underlying findings of fact and the legal conclusion of obviousness built upon such findings *must* be reviewed on an appeal of the district court's obviousness determination. 810 F.2d at 1565. In the present case, however, in conflict with its own precedent and in conflict with the Supreme Court's directive to establish a scope of review, the Federal Circuit invalidated claims one and thirteen of petitioner's patent without reviewing the findings of fact underlying the obviousness determination.

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2. The legal conclusion of obviousness is reviewed *de novo*. *See, e.g.*, *Valmet Paper Machinery Inc. v. Beloit Corp.*, 105 F.3d 1409, 1412 (Fed. Cir.), *cert. denied*, 522 U.S. 1028 (1997) ("The test for nonobviousness begins with a factual inquiry, and ends with a legal conclusion based on the resultant factual foundation. . . . On appeal, we apply the clearly erroneous standard to the court's factfinding, and we review the legal conclusion *de novo*.") (citing *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566-68 (Fed. Cir. 1987).

II.

THE EXERCISE OF THE SUPREME COURT'S SUPERVISORY POWERS IS WARRANTED BECAUSE THE DECISION OF THE FEDERAL CIRCUIT WILL ENCOURAGE PREVAILING PARTIES TO FILE UNNECESSARY AND FRIVOLOUS APPEALS.

This Court has repeatedly held that a party is not entitled to prosecute an appeal from a judgment in its favor. *See, e.g., Public Service Comm'n v. Brashear Freight Lines*, 306 U.S. 204, 206 (1939) ("the successful party below has no standing to appeal. . . ."); *New York Telephone Co. v. Maltbie et al.*, 291 U.S. 645, 646 (1934) (prevailing party "is not entitled to prosecute an appeal from the decree in its favor.").[3] As the party who prevailed on obviousness, infringement, and inequitable conduct, petitioner had no standing to appeal the district court's judgment in this case. Indeed, petitioner suffered no injury by the district court's judgment below.

However, the decision of the Federal Circuit will force parties (such as petitioner) that prevail in the district court to file appeals to protect their judgments regardless of their

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3. *See also Sierra Club v. Babbit*, 995 F.2d 571, 575 (5th Cir. 1993) ("Where standing to appeal is at issue, appellants must demonstrate some injury from the judgment below."); *Jarvis v. Nobel/Sysco Food Services Co.*, 985 F.2d 1419, 1424 (10th Cir. 1993) (prevailing party cannot appeal unless judgment only provided part of the relief sought); *Great American Audio Corp. v. Metacom, Inc.*, 938 F.2d 16, 19 (2d Cir. 1991) ("In order to have standing to appeal, a party must be aggrieved by the judicial action from which it appeals."); 15A WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3902 (1992).

lack of standing. By ignoring a prevailing party's arguments that would support the judgment below and by considering only those issues raised by the party filing the Notice of Appeal, the Federal Circuit's decision sends the wrong message to prevailing litigants: File a Notice of Appeal or your arguments will not be considered.

The circumstances of the present case are not unique to petitioner or patent law and serve as an example of how this problem will arise again.

After review of the special master's report, the district court entered partial summary judgment in favor of petitioner. App. B at 15a. More specifically, the district court noted that petitioner prevailed on the issues of infringement, inequitable conduct, and obviousness. App. B at 14a. However, at every step along the path to this Court, petitioner has asserted that there were clear errors in the findings of fact upon which the district court's conclusion of nonobviousness rested.

Specifically, petitioner made exception to clear errors in the underlying factual findings set forth in the special master's report and argued these exceptions to the district court. App. B at 8a. The district court wholly accepted the findings of fact underlying the special master's obviousness determination but concluded that, regardless, claims one and thirteen of petitioner's '806 patent were not invalid for obviousness. App. B at 9a, 12a-13a.

Respondent then filed a Notice of Appeal of the district court's judgment. App. E. The Notice of Appeal indicates that the district court's *granting of partial summary judgment* is being appealed. More specifically, respondent did not

indicate that it was only appealing the district court's legal conclusion of nonobviousness of claims one and thirteen of petitioner's '806 patent. Indeed, Federal Rule of Appellate Procedure 3(c) does not appear to require any such specificity. Therefore, petitioner was not provided with notice of respondent's decision to only appeal the district court's legal conclusion of obviousness until such time when petitioner received respondent's Brief of Appellant.

In response, petitioner timely filed its Brief of Appellee with the Federal Circuit. Therein, petitioner devoted at least twenty pages of its sixty-three page brief to the assertion of clear errors in the underlying findings of fact that, upon review, would lead to affirming the district court's judgment for petitioner. *See* Brief of Appellee at 22-23, 28-29, 31-62. Furthermore, during oral argument before the Federal Circuit, in response to a question from the bench, petitioner expressly asserted that the underlying findings of fact contained errors requiring review.

Nevertheless, the Federal Circuit focused on the fact that *respondent* had not "challenged" the district court's findings of fact. App. A at 4a. Thus, the Federal Circuit reviewed *only* the district court's legal conclusion of nonobviousness.[4] As even a cursory review of the opinion reveals, the Federal Circuit simply accepted the district court's factual findings but arrived at a different legal conclusion on obviousness. Reversing the district court and entering judgment for the respondent, the Federal Circuit noted that based on the underlying findings of fact, it was "led to the ineluctable conclusion that claims one and thirteen of the '806 patent are invalid." App. A at 6a.

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4. Surprisingly, the Federal Circuit's opinion lacks even a single reference to any assertion raised by petitioner in its Brief of Appellee.

The implication of the Federal Circuit's decision is that only those issues "challenged" by the party filing a Notice of Appeal will be addressed because such is the only difference here procedurally between respondent and petitioner. Otherwise, both respondent and petitioner in this case "challenged" issues by raising such in their briefs to the Federal Circuit. As the prevailing party on appeal, petitioner did not have standing or injury upon which to file a Notice of Appeal. Under the scope of review applied by the Federal Circuit, petitioner would have been in a better position on appeal if it had lost on the issue of obviousness before the district court.

Accordingly, regardless of the decisions of the Supreme Court on standing to appeal, the message sent to prevailing litigants is loud and clear: Ensuring an opportunity to be heard in the court of appeals requires the filing of a Notice of Appeal. Furthermore, given that litigants frequently wait until the last moment to file and serve a Notice of Appeal, prevailing parties will have to file a Notice of Appeal as a matter of course in order to ensure that the judgment below is protected. Once the time for filing a Notice of Appeal has elapsed, and if the nonprevailing party did not file a Notice of Appeal, then the prevailing party can attempt to have its appeal dismissed.

Therefore, if left unreviewed, the Federal Circuit's decision will require the unnecessary expenditure of both litigant resources and judicial resources. Litigants will be forced to ignore the Supreme Court's line of decisions, cited above, regarding standing to appeal.

III.

THE GRANTING OF A WRIT OF CERTIORARI TO PETITIONER WILL NOT BE A FUTILE ENDEAVOR.

In *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986), the Supreme Court granted the writ of certiorari, vacated the decision of the Federal Circuit, and remanded for further consideration. The Court noted "In the absence of an opinion clearly setting forth the views of the Court of Appeals on these matters, we are not prepared to give plenary consideration to petitioner's claim that the decision below cannot be squared with Rule 52(a)." *Id.* at 811.

Petitioner seeks only to have a meaningful opportunity to be heard. While petitioner will certainly brief the obviousness issue if directed by this Court, petitioner's request here is that this Court grant the writ of certiorari, vacate the Federal Circuit's opinion, and remand for proper application of the scope of review, which would include consideration of petitioner's assertions of clear errors in the findings of fact underlying the obviousness determination. As in *Panduit*, the granting of a writ of certiorari would not be futile because at the very least, such will result in obtaining the Federal Circuit's views on the issues presented here.

Furthermore, clear errors exist in the district court's findings of fact underlying its obviousness determination. Petitioner asserts here, as it did below, that review of these clear errors will lead to affirming the district court's judgment in favor of petitioner.

By way of example, this Court held in *Graham v. John Deere Co.*, 383 U.S. 1, 13-14 (1966) that the obviousness determination is based on certain underlying factual findings including: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims; (3) the level of ordinary skill in the art; and (4) objective evidence of nonobviousness. Such objective evidence includes the commercial success of the claimed invention and the failure of others. *Id.* at 17-18. Petitioner asserts that the special master clearly erred in interpreting the scope and content of the prior art as well as in deciding the facts relevant to the objective evidence of nonobviousness. *See, e.g.*, Brief of Appellee at pp. 35-37, 49-63.

More specifically, the special master ignored the commercial success of petitioner's commercial embodiment of the '806 patent due to an erroneous finding that petitioner had entered an agreement with a customer to fund the development of the machine in return for rebates on other products sold by petitioner. A28, ¶ 54.[5] The development agreement between petitioner and the customer did not grant *any* rebates and did not require the customer to purchase any machines. This clear error led the special master to completely ignore evidence showing that the introduction of petitioner's commercial embodiment allowed petitioner to significantly increase its market share. A277-78; pp.1279, 1282-83.

Furthermore, the special master found there was "no evidence of failure of others sufficient to add any substance to secondary considerations." A28; ¶ 56. However, petitioner submitted evidence showing that respondent

5. Citations to A__, refers to the Joint Appendix filed in the Federal Circuit.

considered at least five different designs before settling upon its infringing machine. A150-151, pp. 521-24; A1935-1936; pp. 41-42; A1635-1637; A1704, p. 47 . These examples are only a few of the clear errors in the unreviewed underlying findings of fact.

CONCLUSION

For the reasons set forth above, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED AND DECIDED MAY 17, 2000

United States Court of Appeals for the Federal Circuit

99-1274

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

v.

THE MEAD CORPORATION,

Defendant-Appellant.

* * *

DECIDED: May 17, 2000

Appealed from: United States District Court for the Northern District of Georgia

Senior Judge Charles A. Moye, Jr.

Before MAYER, *Chief Judge*, SCHALL and GAJARSA, *Circuit Judges*.

MAYER, *Chief Judge*.

The Mead Corporation ("Mead") appeals from the judgment of the United States District Court for the Northern

District of Georgia, holding that Mead infringed claims 1 and 13 of U.S. Patent No. 5,241,806 ("the '806 patent") owned by Riverwood International Corporation ("Riverwood") and that these claims were not invalid for obviousness. *See Riverwood Int'l Corp. v. Mead Corp.*, No. 1:94-CV-0090-CAM (N.D. Ga. Jan. 13, 1999) ("Order"). Because the district court erroneously concluded as a matter of law that the claims were not invalid for obviousness, we reverse.

Background

This appeal arises out of a patent infringement dispute over cartoners. Cartoners are machines designed to automatically group articles, such as beverage cans or bottles, and load them into paperboard cartons. Cartoners are usually used in industrial applications such as beverage bottling facilities. Riverwood owns the rights to the '806 patent, embodied in practice by its TwinStack model. Claim 1 and dependent claim 13 of the '806 patent are the only claims at issue. These two claims cover a cartoner with three incoming streams of articles and a barrel cam loader. This type of cartoner is known in the art as a three-conveyer cartoner. The loader, which is usually a barrel cam or an angulated guide in the prior art, forces the articles into the cartons. A barrel cam pushes the articles in a manner similar to a horizontal escalator, whereas an angulated guide works passively, merely providing a static wall or rail to divert the path of the otherwise propelled articles.

After Mead developed and marketed its DuoStack model, a three-conveyer cartoner with a barrel cam loader, Riverwood brought suit for infringement of the '806 patent.

Appendix A

The district court appointed a special master pursuant to Federal Rule of Civil Procedure 53 to hear evidence and arguments from the parties. The special master made findings of fact and concluded *inter alia* that claims 1 and 13 of the '806 patent were invalid for obviousness. *See Riverwood Int'l Corp. v. Mead Corp.*, No. 1:94-CV-0090-CAM (N.D. Ga. Mar. 11, 1998) ("Report"). The district court accepted the findings of fact in whole and without modification, but contrary to the special master, concluded that the claims would not have been obvious to one of ordinary skill in the art. *See* Order at 3. Mead appeals this aspect of the district court's judgment.

Discussion

On appeal from a non-jury trial, the ultimate determination of whether the claims at issue would have been obvious under 35 U.S.C. § 103 is a legal conclusion that we review *de novo*. *See Robotic Vision Sys., Inc. v. View Eng'g, Inc.* 189 F.3d 1370, 1376, 51 USPQ2d 1948, 1953 (Fed. Cir. 1999). An obviousness determination is based on underlying factual inquiries including: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims; (3) the level of ordinary skill in the art; and (4) objective evidence of nonobviousness. *See Graham v. John Deere Co.*, 383 U.S. 1, 13-14, 148 USPQ 459, 465 (1966); *Robotic Vision*, 189 F.3d at 1376, 51 USPQ2d at 1953. In addition, when obviousness is based on particular prior art references, there must be a showing of a suggestion or motivation to combine the teachings of those references, though it need not be expressly stated. *See B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 1582-83,

37 USPQ2d 1314, 1318 (Fed. Cir. 1996); *In re Fine*, 837 F.2d 1071, 1074, 5 USPQ2d 1596, 1598-99 (Fed. Cir. 1988). In this case, the district court has accepted all of the special master's findings of fact, and the appellant does not challenge any of them. Our task is to examine the findings related to the factors articulated in *Graham* and determine whether the district court erred by deciding that the claims were not obvious as a matter of law.

(1) *Scope and Content of the Prior Art and* (2) *Difference Between the Prior Art and the Claims*

Claim 1 of the '806 patent contains four limitations: an infeed conveyer, an article selecting conveyor, a carton conveyor, and an article group transfer means. Claim 13 incorporates all the subject matter of claim 1 and adds a "cam track/cam follower assembly" to the fourth element. According to the special master, Riverwood stipulated that a patent in the prior art, U.S. Patent No. 3,778,959 to Langen ("the Langen patent"), discloses the first three limitations of claim 1. *See* Report at 10. The special master found that the fourth limitation of claim 1 defines what is commonly known in the art as a "barrel cam loader" and that barrel cam loaders in cartoners were known in the prior art. *See id.* The special master also found that a "cam track/cam follower assembly" is a common structure used in barrel cam loaders, and concluded that "claim 13 [would have been] obvious for the same reasons as claim 1." *Id.* at 27. In addition, the special master found that Langen "first disclosed in that patent angulated fixed guide rails stating that angulated fixed guides are an improvement over 'escalators' (barrel cam loaders), not that escalators are not an obvious alternative . . . ."

Id. at 11. Upon examining the remainder of the prior art, the special master found that the prior art recognized the obviousness of substituting one type of loader for another in a cartoner. *See id.* at 11.

(3) *Level of Skill in the Art*

The special master found that one of ordinary skill in the art "would be knowledgeable of problems and solutions to the design of cartoners" and that " . . . the numerous prior patents in evidence show that there were numerous solutions developed to solve the problems and the solutions occurred relatively frequently in a relatively sophisticated and developed technology." *Id.* at 10; *see Pro-mold and Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1573, 37 USPQ2d 1626, 1630 (Fed. Cir. 1996). Thus, these findings support the conclusion that it would have been obvious to someone of ordinary skill in the art at the time of the invention to replace the angulated fixed guide rail loader in the Langen patent with a barrel cam loader and that a suggestion or motivation to make that substitution existed in the prior art.

(4) *Objective Factors*

According to the special master, Riverwood presented some evidence of commercial success. He found, however, that much of that success was attributable to factors outside the scope of claims 1 and 13 of the '806 patent. *See id.* at 15; *In re GPAC*, 57 F.3d 1573, 1580, 35 USPQ2d 1116, 1121 (Fed. Cir. 1995) ("For objective evidence to be accorded substantial weight, its proponent must establish a nexus

between the evidence and the merits of the claimed invention."). Finally, the special master found that there is no evidence that the Mead DuoStack was a copy of the TwinStack cartoner, that there was no long-felt need for an improvement in cartoners that was solved by the subject matter of the claims of the '806 patent, and that there was no significant evidence of the failure of others. *See* Report at 16. Based on these findings, he determined that the objective factors did not carry sufficient weight to override a conclusion of obviousness based on the primary considerations.

In view of all these findings, we are led to the ineluctable conclusion that claims 1 and 13 of the '806 patent are invalid. The district court's conclusion of nonobviousness is not supportable by the facts found.

Conclusion

Accordingly, the judgment of the United States District Court for the Northern District of Georgia is reversed.

REVERSED

APPENDIX B — ORDER AND JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION DATED AND FILED JANUARY 13, 1999

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

1:94-cv-0090-CAM

RIVERWOOD INTERNATIONAL CORP.,

Plaintiff,

v.

THE MEAD CORPORATION,

Defendant.

ORDER

This matter is before the Court on the parties' cross-motions to bring objections to the Report submitted by Special Master Dalbert U. Shefte on March 11, 1998 pursuant to Fed. R. Civ. Proc. 53.

Pursuant to this Court's order of December 8, 1995, the Special Master received evidence from the parties on the liability issues of patent infringement, patent validity and patent enforceability, the liability and damages issues having been bifurcated. The Special Master took evidence over the course of seven days and rendered his Report and

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Recommendations on March 11, 1998. On page 33 of that report the Special Master stated his conclusions as follows:

> A. Mead's accused DuoStack cartoner infringes claims 1 and 13 of (Plaintiff's) '806 patent;
>
> B. Claims 1 and 13 are invalid for obviousness; and
>
> C. The '806 patent is not unenforceable for inequitable conduct.

The parties filed cross-motions to bring objections to the Report, which they did along with extensive briefs on the law and facts, all of which the Court carefully considered. As to the Special Master's first conclusion, Mead only wished the Court to modify it to conclude that the DuoStack cartoner would infringe the '806 patent if it were enforceable. Plaintiff sought reversal of the second conclusion as to obviousness, and defendant sought reversal of the third conclusion relating to inequitable conduct. The Court then heard the parties fully at oral argument on the facts and the law.

Although a jury trial in this case was originally demanded, the parties midway withdrew that demand and the matter became a non-jury one. The Court's actions with respect to the Special Master's Report are therefore governed by Rule 53(e)(2):

> In an action to be tried without a jury the court shall accept the master's findings of fact unless clearly erroneous. * * * The court after hearing

> may adopt the report or may modify it or may reject it in whole or in part or may receive further evidence or may recommit it with instructions.

At the conclusion of the hearing, the Court, stated its conclusions and reasoning generally, but sets them forth in more detail in this order.

The language of Rule 53(e)(2) is clear that, after hearing, the Court must accept the Special Master's findings of fact unless clearly erroneous, and the Court now accepts each of the Special Master's findings of fact as to all the matters at issue, finding none of them clearly erroneous. The language of the rule makes it clear that there is no such requirement as to conclusions of law. The Court has carefully read and considered the Special Master's conclusions of law as to the issues of infringement, as to which defendant has no real objection, and inequitable conduct and finds them correct and hereby adopts them as its own conclusions of law. The principal issue which the Court needs here to address therefore is its decision not to accept the Special Master's conclusion that claims 1 and 13 are invalid for obviousness. Before doing so, however, the Court finds it opportune to commend the thoroughness and ability with which the Special Master has performed his duties; the fact that the Court does not come to the same conclusion of law as the Special Master in one instance is certainly no reflection on the excellence of his report.

The Court's conclusion that claims 1 and 13 of the '806 patent are not invalid for obviousness is a conclusion of law as to which the Court is not required to accept the Special

Master's finding if not clearly erroneous. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1965). Even the subsidiary conclusion, that of obviousness, is a question of law, not a finding of fact which the Court was required to accept unless clearly erroneous, even though it subsumes numerous subsidiary factual inquiries to arrive at an overall determination of whether the subject matter as a whole would have been obvious to a person of ordinary skill at the time the invention was made. *Fromson v. Anitec Printing Plates, Inc.*, 132 F.3d 1437, 1446 (Fed. Cir. 1997) .

As pointed out in paragraph 18 of the Special Master's Conclusions (p. 23):

> The '806 patent is presumed valid pursuant to 35 U.S.C. §282, and Mead has the burden of proving, by clear and convincing evidence, that the '806 patent claims 1 and 13 are invalid. *American Hoist & Derrick v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984).

During the prosecution of the application resulting in the '806 patent, The Examiner rejected as obvious the subject matter of the original application claim 13 which combined a barrel cam loader with elements of original application claim 13, which defined item (d) only as "article group transfer means constructed and arranged to move article groups into the open ends of carton sleeves." (Report, par. 40, p. 12). The application was then amended "to not only incorporate the barrel cam loader of original application claim 13 but also to add to the claim a three stream feature,

with an article infeed conveyer supplying a 'first stream' of articles, an article selecting conveyer intersecting the infeed conveyer to form and move a 'second stream' of article groups, and a carton supply conveyer providing a 'third stream' of cartons". (Report, par. 412, p. 12). The '806 patent was granted upon that amendment.

The examiner thus found that a barrel cam loader as applied to a two stream mechanism was obvious, but as applied to the three stream mechanism described in the amended application was not.

A patent is invalid for obviousness where the differences between the subject matter of the patent and the prior art "are such that the subject matter as a whole[1] would have been obvious at the time the invention was made to a person having ordinary skill in the art" to which the patent pertains. 35 U.S.C §103." (Report, par. 24 of Conclusions, p. 24). Thus the "subject matter as a whole" is what must be obvious to a person of "ordinary skill".

While the prior art in evidence demonstrated the obviousness of the substitution of a barrel cam loader for an angulated fixed guide two stream loader, it did not involve a three stream loader. The critical issue then became whether that step also would have been obvious to a person of *ordinary* skill in the art. That became the subject of expert opinion testimony as the "person of ordinary skill in the art" is an imaginary person. The examiner himself apparently

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1. Remembering, *Graham*, *supra*, p. 34: "The subject matter as a whole reduces, then, to the distinguishing features clearly incorporated into the claims".

gave little weight to the opinions of the expert witnesses for either side (Report, pp. 27-29), and the basis for his conclusion of obviousness may be found in ¶ 40 of his conclusions of law, p. 28:

> 40. Riverwood's patent expert, Mr. Pravel, opined that a teaching of substituting a barrel cam loader in a two stream cartoner did not render it obvious to substitute a barrel cam loader in a three stream cartoner. This is not persuasive as in both a two stream and a three stream cartoner the articles are in a single stream when the area acted upon by the barrel cam loader or the angulated fixed guide loader for which the barrel cam loader is substituted. Whether the articles have been in another third stream before they are in the stream that arrives at the barrel cam loader or the angulated fixed guide loader does not change the conditions of the articles in the loader, whether it be a barrel cam loader or an angulated fixed guide loader. Thus the obviousness of substituting a barrel cam loader would be as apt for a three stream cartoner as for a two stream cartoner.

While the Special Master's finding of the physical configuration is a factual one binding upon the Court, the crux of the finding is "the obviousness" would be "as Apt", i.e. apparent to the imaginary person of ordinary skill in the art. This critical recommended conclusion of law thus appears to be based upon a "stand-off" as between testifying expert witnesses and the Special Master's own recommended opinion-conclusion as to what would have been obvious to a person of ordinary skill. At this point it should be noted

that while the standard for obviousness is a person of ordinary skill, the Court here has before it only the testimony and recommendations of persons highly skilled in the art. While the testimony of the expert witnesses and the Special Master's own opinion conclusion are most persuasive, the Court is not convinced that the evidence submitted by Mead is so clear and convincing on the critical issue that, despite its presumption of validity, the '806 patent must be held invalid. The Court thus finds and concludes as a matter of law:

A. Mead's accused DuoStack cartoner infringes claims 1 and 13 of Plaintiff's '806 patent;

B. Claims 1 and 13 are not invalid for obviousness; and

C. The '806 patent is not unenforceable for inequitable conduct.

This order will be entered as a partial summary judgment in favor of the plaintiff pursuant to F. R. Civ. P. 54(b) — the Court finding there is no just cause for delay; further proceedings are hereby stayed pending appeal. Upon termination of the appeal, or the lapse of time for taking an appeal, the parties may move the Court for any appropriate action.

SO ORDERED, this 13th day of January, 1999.

s/ Charles A. Moye, Jr.
CHARLES A. MOYE, JR.
UNITED STATES DISTRICT
JUDGE

Appendix B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

CIVIL ACTION FILE NO. 1:94-cv-0090-CAM

RIVERWOOD INTERNATIONAL CORP.,

Plaintiff,

vs.

THE MEAD CORPORATION

Defendant.

JUDGMENT

This action having come before the court, Honorable Charles A. Moye, Jr., United States Senior District Judge, for consideration of the parties' cross-motions to bring objections to the Report submitted by Special Master Dalbert U. Shefte. The Court finds and concludes as a matter of law:

A. Mead's accused DuoStack cartoner infringes claims 1 and 13 of Plaintiff's '806 patent;

B. Claims 1 and 13 are not invalid for obviousness; and

C. The '806 patent is not unenforceable for inequitable conduct.

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Ordered and Adjudged that partial summary judgment be entered pursuant to Rule 54(b), Federal Rules of Civil Procedure in favor of plaintiff.

Dated at Atlanta, Georgia this 13th day of January, 1999.

LUTHER D. THOMAS
CLERK OF COURT

By: s/ Joyce White
Deputy Clerk

APPENDIX C — SPECIAL MASTER'S REPORT OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, ATLANTA DIVISION DATED MARCH 9, 1998 AND FILED MARCH 11, 1998

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

C.A. No.: 1:94-CV-0090-CAM

Riverwood International Corporation,

Plaintiff,

vs.

The Mead Corporation,

Defendant.

SPECIAL MASTER'S REPORT PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 53

Pursuant to the Court's Order dated December 8, 1995, this patent infringement action came before the Special Master to hear all the evidence and arguments during a trial between the parties. The Court had ordered that trial of the matter take place in two phases, with the initial trial being conducted on the liability issues of patent infringement, patent validity and patent enforceability, and with the second trial (if necessary) being conducted on the willful infringement and damage issues. The initial trial took place

over the course of seven days in Atlanta, Georgia, on October 23 through November 3, 1997.

The Special Master has carefully considered all of the trial testimony and exhibits, the parties' arguments, the Plaintiff's motion for partial summary judgment on the issue of infringement and Defendant's responsive filings, the Consolidated Pretrial Order, both parties' post-trial papers including briefs, proposed findings of fact and conclusions of law, and the applicable law related to the liability issues. Based on this review, the Special Master finds that U.S. Patent No. 5,241,806 ("the '806 patent") has been infringed by Defendant, The Mead Corporation ("Mead"); that the '806 patent is invalid; and that Mead has not proven that the '806 patent is unenforceable due to inequitable conduct.

To support these conclusions, the Special Master enters the following Findings of Fact and Conclusions of Law. To the extent that any of the following findings of fact constitute a conclusion of law, they shall be so deemed and are adopted as such; to the extent that any of the conclusions of law constitute a finding of fact, they shall be so deemed and are adopted as such.

FINDINGS OF FACT

I. BACKGROUND

A. *Parties*

1. The Plaintiff, Riverwood International Corporation ("Riverwood"), is a Delaware corporation having a regular and established place of business in Atlanta, Georgia.

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2. The Defendant, The Mead Corporation ("Mead"), is an Ohio corporation having a regular and established place of business in Atlanta, Georgia.

B. *Nature of Action*

3. On January 13, 1994, Riverwood filed this action against Mead, alleging that Mead had infringed and was continuing to infringe U.S. Patent No. 5,241,806 ("the '806 patent") by making and/or having made and leasing a machine to customers that Mead calls the "DuoStack". On February 25, 1994, Mead filed an Answer and Counterclaim seeking a declaratory judgment that it did not infringe the '806 patent and that the '806 patent was invalid. On April 17, 1995, Mead filed a First Amended Answer and Counterclaim, continuing to assert noninfringement and invalidity and adding to its counterclaim a request for a declaratory judgement that the '806 patent was unenforceable due to inequitable conduct.

4. By the time of the initial trial, the parties had narrowed the liability issues to be decided to the following:

a. Does Mead's DuoStack machine infringe claims 1 and 13 of the '806 patent?

b. Is the '806 patent invalid under either 35 U.S.C. § 102 or 35 U.S.C. § 103? and

c. Is the '806 patent unenforceable due to inequitable conduct?

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II. THE '806 PATENT

A. *General Description*

5. Riverwood is the owner of the '806 patent.

6. The application for the '806 patent was filed on March 24, 1992, and lists Kelly Ziegler, Allen Olsen, and Curt Lovold as inventors. Messrs. Ziegler, Olsen, and Lovold were employees of Riverwood at the time the application for the '806 patent was filed.

7. The '806 patent is entitled "Continuous Motion Cartoner Assembly" and is directed to a machine known in the art as a "cartoner" that continuously loads groups of articles, such as beverage cans or bottles, into open-ended carton sleeves.

8. The cartoner described in the '806 patent is adjustable and may be used to load article groups into a variety of pack configurations, e.g. six-, twelve-, and twenty-four packs. The '806 patent also describes using the cartoner to load stacked groups of articles into a carton.

9. Figures 1 and 2 of the '806 patent illustrate the sections of the continuous motion cartoner and show a carton supply mechanism, a carton transport conveyor or mechanism, an article supply conveyor or mechanism, an article selection and transport conveyor or mechanism, and a product group transfer, or crossloading, mechanism.

10. The carton supply mechanism is located at the input end of and in line with the carton transport conveyor to supply

cartons to the carton transport conveyor. The carton supply mechanism erects and places cartons in an open sleeve configuration onto a carton transport conveyor which carries the cartons to an output end of the cartoner. The carton transport conveyor, which is also referred to as a "carton supply conveyor," has sets of flight lugs connected to flight chains that revolve around a drive assembly in a direction from the upstream portion of the cartoner to the downstream portion of the cartoner. During operation, cartons are placed by the carton supply mechanism between each set of carton flight lugs and are carried downstream by the carton supply conveyor to a loading position.

11. The article supply mechanism is also located at the input end of the cartoner and supplies a first stream of individual articles, such as beverage cans or bottles, along a conveyor to the article selection and transport mechanism. A first, upstream, portion of the article supply mechanism is parallel to the article selection and transport mechanism. A second, downstream, portion of the article supply mechanism turns inward and merges with the article selection and transport mechanism at an angle. Both portions of the article supply mechanism (also referred to as "infeed conveyor") have lane separator plates mounted above one or more conveyors running underneath so that the individual articles being moved along the conveyor(s) are separated into a plurality of single file lanes. These lane separator plates, or infeed guide structures, angle in towards the article selection and transport mechanism to allow the individual articles to be provided at an angle for merging with the article selection and transport mechanism.

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12. The article selection and transport mechanism is located adjacent to and parallel with the carton supply conveyor. This article selection and transport mechanism, which is also referred to as the "article selecting conveyor," includes a plurality of spaced, parallel, transversely oriented, and transversely fixed flight bars which are mounted towards the output end of the cartoner. The purpose of the article selecting conveyor is to accept individual articles from the infeed conveyor, form them into spaced groups of articles, and move the groups in a second longitudinal stream towards the output end of the cartoner so that a crossloading mechanism may eventually load the groups into cartons traveling on the carton conveyor.

13. The groups are moved by the article selecting conveyor within pockets formed between each pair of opposed flight bars. The article selecting conveyor and the carton supply conveyor are synchronized so that each formed group of articles riding within a flight bar pocket is aligned with a corresponding open-ended carton traveling on the carton supply conveyor in a third longitudinal stream of cartons.

14. The lane separators suspended above the infeed conveyor extend into the flow path of the article selecting conveyor. As the flight bars on the article selecting conveyor travel downstream and intersect with the lane separators, the flight bars engage the articles carried in the individual lanes that are flowing towards the article selecting conveyor. As the flight bars select and meter the individual articles from the infeed conveyor into the flight bar pockets, groups having a certain number of articles are formed.

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15. The crossloading mechanism is located adjacent to and parallel with the downstream portion of the article selecting conveyor. The crossloading mechanism pushes the article groups out of the flight bar pockets on the article selecting conveyor transversely into the open ends of the cartons traveling on the carton supply conveyor.

16. The crossloading mechanism has a plurality of loader arm assemblies that consist of transversely moving pushing mechanisms attached to a flight chain and guide tube assembly. The flight chain and guide tube assembly carries the pushers in a longitudinal direction towards the output end of the cartoner. A control cam assembly (cam follower/ cam track arrangement) provides transverse movement to the pushers. The particular form of crossloading mechanism illustrated in the '806 patent is commonly referred to as a "barrel cam loader."

B. *Disclosure of Nesting*

17. A loading head is located at the end of each pusher to engage and push the article groups into the open ends of the carton sleeves. In one embodiment as illustrated in Figures 1-16, the loader head has both fixed face members and extensible face members. In use, the combination of fixed and extensible face members allows the product groups to be loaded in an initially "nested" configuration, in which adjacent rows of articles are staggered or unaligned, and then converted to an aligned configuration within the cartons. This initial staggering allows a product group to move into the carton with a lesser width, after which the product group is returned to its normal width as the articles take on a side-by-

side, aligned arrangement. The patent describes this nesting feature as being "especially desirable" when loading glass beverage containers.

18. Included in the description of the loading head 117 of Figures 1-16, is the following statement relating to the "nesting" feature

> The essential feature of the head 117 is that the face members contacting the end containers alternate between fixed-type members 118 and extensible-type members 119 so that the container rows may be initially staggered for loading purposes.

19. An alternative embodiment of the loader head is illustrated in Figure 17 of the '806 patent, wherein the loading head is bifurcated to further divide pre-grouped patterns of articles in combination with a wedge shaped dividing funnel assembly for simultaneous loading of articles in two cartons, thereby approximately doubling the cartoning rates. The bifurcated loading head is illustrated in Figure 17 without any illustration of the extensible face members described above in regard to the embodiment of Figures 1-16.

20. While the specification of the '806 patent uses the same reference numeral 117 for the loading head of Figures 1-16 and Figure 17, the two loading heads are different, the Figure 17 loading head being bifurcated and not being illustrated with reference numerals 118 and 119 used in the Figures 1-16 embodiment for the combination of fixed and extensible face members. Further, in referring to the

embodiment of Figure 17, the specification states ('806 patent, column 11, lines 21-24):

> Modifications may be made to the remaining elements of the crossloader 15 to provide cam actuated stepped faces in this twin-headed embodiment.

21. In column 2, lines 29-34, it is stated:

> The cartoner assembly of the invention includes article group transfer structures which enable the individual rows of the article group to be moved and controlled with a positive force so that the article group can be tightly placed and maintained between the walls of the carton.

This passage does not mention nesting or the stepped or staggered feature of Figures 1-16, rather it is directed to the use of "a positive force," which is the result of the use of a pusher mechanism whether or not the pusher mechanism has fixed and extendable face members.

22. The "positive force" statement in column 2, lines 29-34 of the '806 patent is not distinguishing the invention from the previously discussed prior art Langen U.S. Patent No. 3,778,959 and Calvert U.S. Patent No. 4,237,673, which do not disclose "nesting," as nesting is shown in Langen U.S. Patent No. 4,936,077, which is also discussed previously in the specification.

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23. The file of the prosecution in the U.S. Patent and Trademark Office of the application resulting in the '806 patent makes no mention of the "nesting" feature as being disclosed or not disclosed in Figure 17 or its specification description.

24. The fact that the specification states that the loading head of Figure 17 "may be" modified to include "cam-actuated stepped faces" establishes that what is illustrated and disclosed in Figure 17 is a pre-nesting-modified embodiment.

25. The word "may" is used in the permissive sense, in the same sense that it is used in column 11, lines 15 and 16, where it states, in referring to the loading head 117 of the embodiment of Figures 1-16 that:

> Additionally, the loading head 117 may be bifurcated, as shown in FIG. 17,

This passage clearly is stating that the non-bifurcated loading head 117 of the embodiment of Figures 1-16 may be bifurcated, which bifurcation is shown in Figure 17.

26. Prior to describing the alternative embodiment of Figure 17, the '806 patent, in column 11, lines 6-10 states:

> The essential feature of the head 117 is that the face members contacting the end containers alternate between fixed-type members 118 and extensible-type members 119 so that the container rows may be initially staggered for loading purposes.

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This statement appears before the reference to the alternate embodiment of Figure 17 and is referring to an "essential feature" of the embodiment of Figures 1-16. The description of the "may be bifurcated" embodiment of Figure 17 without illustration or mention of fixed and extendible face members 118 and 119 of the embodiment of Figures 1-16, followed by the description of the modification that "may be made" to the embodiment of Figure 17 to provide cam-actuated stepped faces clearly establishes that stepped faces or "nesting" is not an "essential feature" of Figure 17, but is only an "essential feature" of the embodiment of Figures 1-16.

27. After the article groups are loaded into the cartons, the cartons continue to ride on the carton supply conveyor and are transported to a position on the machine where the carton flaps are closed, glued, and compressed. After these operations, the closed and fully loaded cartons are discharged from the cartoner.

C. *The Claims of the '806 Patent at Issue*

28. Claim 1 of the '806 patent reads as follows:

> A cartoner assembly for loading article groups into open carton sleeves comprising:
>
> a) an article infeed conveyor having a plurality of parallel guide structures fixed thereabove, said article infeed conveyor supplying a first stream of articles;
>
> b) an article selecting conveyor having a plurality of spaced, parallel and transversely oriented fixed

flight bars and a longitudinal travel path disposed adjacent to and parallel with said article infeed conveyor, said flight bars intersecting said article infeed guide structures at a predetermined angle to form and move a second longitudinal stream of article groups of a predetermined pattern;

c) a carton supply conveyor having spaced carton flight lugs synchronized and moving adjacent to and parallel with said article selecting conveyor to provide a third longitudinal stream of cartons with open ends facing said moving article groups; and

d) article group transfer means for moving article groups into the open ends of the carton sleeves, said article group transfer means comprising guide support means longitudinally moving in parallel synchronization with said carton supply conveyor, a plurality of transversely operative, longitudinally moving pushing mechanisms, and activation means to transversely move said pushing mechanisms at predetermined longitudinal positions.

29. Claim 13 of the '806 patent reads as follows:

The cartoner assembly of claim 1, wherein said activation means comprises a cam track/cam follower assembly.

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III. LEVEL OF SKILL

30. The level of skill of one ordinarily skilled in the art relevant to the subject matter of the '806 patent at the time of the invention in 1991 would have been that of one working on the design of cartoners having a two-year technical college degree and 2-5 years experience in cartoner design, manufacturing and use or the equivalent in experience of such combination of education and experience, and this person would be knowledgeable of problems and solutions to the design of cartoners to effectively and safely handle at high speeds the automatic loading of articles into cartons. Further, the numerous prior patents in evidence show that there were numerous solutions developed to solve the problems and the solutions occurred relatively frequently in a relatively sophisticated and developed technology.

IV. PRIOR ART

31. Riverwood has stipulated that elements (a) through (c) of claim 1 of the '806 patent are all disclosed in Langen U.S. Patent No. 3,778,959.

32. Element (d) of claim 1 of the '806 patent defines what is commonly known in the cartoner art as a "barrel cam loader."

33. Barrel cam loaders in cartoners were known in the prior art, being disclosed in Langen U.S. Patent No. 4,936,077, Le Bras U.S. Patent No. 4,756,139 and its European Patent counterpart No. 0 242 017, and in the Mead 1225 machine that was shipped to Pillsbury in 1988 (the "Pillsbury machine").

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34. The obviousness question here is whether the subject matter of claims 1 and 13 of the '806 patent would have been obvious to someone ordinarily skilled in the art at the time of the invention and specifically whether it would have been obvious for someone ordinarily skilled in the art at the time of the invention to use a barrel cam loader that was known to be used in cartoners of the prior art in a prior art cartoner that included all of the elements of items (a), (b) and (c) of claim 1 but was previously used with an angulated fixed guide rail loader, with consideration also being given to any relevant secondary consideration facts, such as commercial success, copying, long felt want, and failure of others.

35. The inventors of the '806 patent first developed a cartoner that had angulated fixed guides instead of a barrel cam loader and abandoned that construction because of potential patent infringement and rather incorporated a barrel cam loader construction which they knew was used in cartoners.

36. The prior art Pillsbury machine was a cartoner that fed articles into cartons and was constructed to include and to operate alternatively with a barrel cam loader and angulated fixed guide rails. This is evidence that it was a known alternative to use either type of loader in the same cartoner.

37. HJ Langen & Sons Ltd., the owner of Langen U.S. Patent No. 3,778,959, dated December 18, 1973, first disclosed in that patent angulated fixed guide rails stating that angulated fixed guides are an improvement over

"escalators" (barrel cam loaders), not that escalators are not an obvious alternative, and then later in Langen U.S. Patent No. 4,936,077, issued June 26, 1990, disclosed a barrel cam loader in a cartoner instead of escalators. This is evidence of the obviousness of substituting one type of loader for the other in a cartoner.

38. Prior art Le Bras U.S. Patent No. 4,756,139 disclosed the use of a barrel cam loader in a cartoner and referred as background to European Patent No. 0 017 333, that disclosed angled fixed guides, in a manner that is evidence that the prior art recognized the obvious substitution of one loader for the other.

39. If the teachings of European patent no. 0 17 333 were incorporated and disclosed in the Le Bras '139 patent, all of the subject matter of claims 1 and 13 of the '806 patent would be disclosed. However, reference to the European '333 patent as background in the Le Bras '139 patent does not constitute incorporation of that subject matter, but it is evidence that Le Bras disclosed the barrel cam loader as an improved alternative for an angulated fixed guide.

V. PROSECUTION OF THE APPLICATION RESULTING IN THE '806 PATENT

40. During the prosecution of the application resulting in the '806 patent, the Examiner rejected as obvious the subject matter of original application claim 13, which combined a barrel cam loader with elements of original application claim 1, which defined item (d) only as "article group transfer means constructed and arranged to move

article groups into the open ends of the carton sleeves." This rejection was based on the combination of the barrel cam loader of the prior art Langen '077 patent with a cartoner disclosed in prior art Nigrelli U.S. Patent No. 4,982,551, which disclosed a cartoner with angulated fixed guides. Thus, it was obvious to the Examiner to substitute a barrel cam loader in a cartoner having angulated fixed guides.

41. Notably, the applicants for the '806 patent did not contest this ruling of obviousness of the substitution of a barrel cam loader for angulated fixed guides in a cartoner, but rather amended application claim 1 to not only incorporate the barrel cam loader of original application claim 13 but also to add to the claim a three stream feature, with an article infeed conveyer supplying a "first stream" of articles, an article selecting conveyer intersecting the infeed conveyer to form and move a "second stream" of article groups, and a carton supply conveyer providing a "third steam" of cartons.

42. This amended original application claim 1 with amended added language underlined and deleted language in brackets reads as follows:

> 1. (Amended) A cartoner assembly for loading article groups into open carton sleeves comprising:
>
> a) *an* article infeed [means] *conveyor having a plurality of parallel guide structures fixed thereabove, said article infeed conveyor* supplying (at least one) *a first* stream of articles;

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b) *an* article selecting [means] *conveyor having a plurality of spaced, parallel and transversely oriented fixed flight bars and a longitudinal travel path disposed adjacent to and parallel with said article infeed conveyor, said flight bars* intersecting said article infeed [means] *guide structures at a predetermined angle* to form and move a *second* longitudinal stream of article groups of a predetermined pattern;

c) *a* carton supply [means] *conveyor having spaced carton flight lugs* synchronized and moving *adjacent to and* parallel with said article selecting [means] *conveyor* to provide *a third longitudinal stream of* cartons with open ends facing said moving article groups; and

d) article group transfer means [constructed and arranged to] *for* mov[e]*ing* article groups into the open ends of the carton sleeves, *said article group transfer means comprising guide support means longitudinally moving in parallel synchronization with said carton supply conveyor, a plurality of transversely operative, longitudinally moving pushing mechanisms, and activation means to transversely move said pushing mechanisms at predetermined longitudinal positions.*

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43. In arguing for allowance of this amended claim 1 in comparison with the combination of Langen and Nigrelli used by the Examiner in rejecting the subject matter of original claim 13, which was incorporated in the amendment to original claim 1, the applicant stated at page 9 of the Amendment filed February 25, 1993:

> For example, the addition of a side loading mechanism as shown in Langen to the basic two stream devices shown in Nigrelli, Olsen or Calvert would still yield a two stream device. None of the cited art shows or suggests a structure which selects raw infeed articles from a first stream, and then forms article groups in a second and distinct second stream prior to the loading into a third stream of cartons.

44. In that Amendment no mention was made of the prior art Langen U.S. Patent No. 3,778,959. Nor was there any statement that items (a), (b) and (c) were disclosed in the Langen '959 patent or that these items, which produce a three stream cartoner were known in the prior art.

45. As the claims originally filed in the application did not include the three stream feature, the Examiner had not selected the Langen '959 patent to cite as a reference and, when the amended claim 1 with the three stream feature was reviewed by the Examiner, the applicants' arguments directed him to consider the amended claim in relation to the prior art the Examiner had used to reject the original non-three stream claims.

46. Apparently, the Examiner then examined amended claim 1 and considered applicant's arguments in relation to the prior art patents the Examiner had originally cited and did not again review all of the prior art patents, including the Langen '959 patent, in determining that amended claim 1 was patentable.

47. It was not necessary for the Examiner to again recite the obviousness of substituting a barrel cam loader for an angulated fixed guide loader as the issue before him was the obviousness of a three stream system.

48. Had the Examiner been aware that the Langen '959 patent utilized a three stream system or that, as now admitted by Riverwood, that a three stream system without a barrel cam loader was known, it is clear that he would have again rejected claim 1 for the same reason as previously rejected, i.e., it would be obvious to substitute a barrel cam loader for an angulated fixed guide loader in a known three stream cartoner.

49. The '959 Langen patent was submitted to the U.S. Patent and Trademark Office by the applicants in an Information Disclosure Statement filed June 29, 1992. The patent was identified and a statement was made as to its contents on page 2 of the Information Disclosure Statement, which did not mention the three stream system feature of the '959 patent as the claims of the application at that time did not include the three stream system feature.

50. The Examiner initialed the PTO-1449 List of Prior Art Cited by Applicant that was submitted with the

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Information Disclosure Statement as having been reviewed by the Examiner on September 16, 1992. It was six months later, on March 17, 1993, that the Examiner indicated in a Notice of Allowability and Examiner's Amendment that upon review of the amended claims he found them allowable without indicating that he had considered the claims in relation to the '959 patent or that he had recalled having reviewed the '959 patent six months earlier.

51. While there is a presumption that an Examiner performs his function in a competent manner and, in this case, would have reviewed all of the prior art, including the '959 patent, before allowing amended claim 1, the facts here are evidence that he did not consider and was not aware of the '959 patent at the time he allowed claim 1.

VI. SECONDARY CONSIDERATIONS

52. As to the facts of commercial success of the subject matter of the '806 patent, Riverwood was commercially successful with its Twin Stack cartoner that does embody the subject matter of claims 1 and 13 of the '806 patent. However, the success was attributable to the package design as well as the machine and to the use of a pad between layers of articles in a double layer pack of articles, which permitted desirable additional advertising space. Neither the carton design nor the use of a layer pad are within the scope of claims 1 and 13 of the '806 patent. Nor do the claims provide any special double layer, or stacking, significance. Furthermore, Riverwood's witnesses testified that the Twin Stack cartoner incorporated features that were not within the scope of the '806 patent but rather were within the scope of four other Riverwood patents.

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53. Mead has developed and marketed a cartoner incorporating the subject matter of claims 1 and 13 of the '806 patent, which it markets under the name DuoStack. There is evidence that Mead was aware of development of Riverwood's Twin Stack cartoner, which would tend to support evidence of copying. However, there is no evidence that the Mead DuoStack was a copy of the Twin Stack cartoner

54. Much of the success of the Riverwood Twin Stack cartoner can be attributed to a development agreement entered into with Pepsi-Cola, who funded the development in return for which Riverwood granted rebates on cartons to Pepsi-Cola and an exclusive option on a first number of cartoners for use in the soft drink industry.

55. No evidence was presented that there was a long felt want for an improvement in cartoners that was solved by the subject matter of the claims of the '806 patent.

56. There is no evidence of failure of others sufficient to add any substance to secondary considerations. Rather, Riverwood's own development of the subject matter of the '806 patent resulted from concerns for infringement of other patents by initial cartoner designs, not that these earlier designs failed to provide commercially acceptable results.

VII. DEALINGS WITH THE PATENT OFFICE

57. There is no evidence that any statements made by the inventor-applicants of the application resulting in the '806 patent, the assignee of the rights to the application, or the

attorney who prepared and filed the application and prosecuted it in the U.S. Patent and Trademark Office were a mischaracterization, and there is no evidence that any of these parties intended to make any statements for the purpose of misleading the Examiner.

58. In the aforementioned Information Disclosure Statement, applicants, through their attorney, made the following statement to distinguish the invention of the originally filed claims from the identified Langen '959 patent:

> Applicants' invention differs from this reference in that it discloses a cartoner assembly comprising an article infeed mechanism supplying at least one stream of articles, an article selecting mechanism intersecting the article feed mechanism to form and move a stream of article groups of a predetermined pattern, a carton supply mechanism synchronized and moving parallel with the article selecting mechanism to provide cartons with open ends facing the moving article groups, and an article group transfer mechanism constructed and arranged to move article groups into the open ends of the carton sleeves.

59. The claims as originally filed did not recite the three stream system feature of the claims as ultimately issued. They did, however, include a transfer mechanism, recited in original claim 1 as "an article group transfer means" and original claim 13 as a "pushing mechanism." Interpreting the "means" in relation to the disclosure in the specification

of the patent application, claim 1 is defining the disclosed barrel cam loader, which was not disclosed in the '959 patent.

60. In considering the significance of the statement in the Information Disclosure Statement distinguishing the original claims from the '959 patent, attention has been given to the term "article group," which Riverwood contends is a distinction from the '959 patent. However, in the '959 patent, the articles are separated into groups with each group having a number of articles in an arrangement for insertion in a single carton. These groups are then guided angularly into the cartons with the sequential rows in each group being sequentially spaced outwardly as the group is angled by the guide. When the first row is fully seated in the carton the subsequent rows move sequentially fully into the cartons. While this is somewhat different from the transfer of article groups in the embodiment of Figures 1-16 of the '806 patent, where all of the rows move together in a staggered relation and then are manipulated into final position by the extendable members, there is the handling of articles in groups in both cartoners. Therefore, the handling of articles in groups as recited in original claim 1 is not a distinction over the '959 patent.

61. When the claims were amended to introduce the three stream system feature, arguments were made in support of unobviousness of this feature in relation to the patents that had been cited and applied by the Examiner in rejecting the originally filed claims and patents that has been cited, but not applied.

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62. The prior art that had been cited and applied by the Examiner in rejecting the claims was Nigrelli U.S. Patent No. 4,982,551, Olsen U.S. Patent No. 4,693,055 and Tisma U.S. Patent No. 5,072,573. The prior art that had been cited, but not applied, was Anderson U.S. Patent 4,250,693 and Ganz U.S. Patent No. 3,956,868. The '959 patent was not cited or mentioned otherwise by the Examiner.

63. Later, the Examiner did not mention the '959 patent in discussing allowance of the amended claims.

64. There is no evidence that the omission of any reference to the '959 patent was intended by the inventor-applicants, assignee or prosecuting attorney was for the purpose of misleading the Examiner.

65. The '959 patent was identified to the Examiner in the Information Disclosure Statement and was reviewed by the Examiner as indicated by his initialing the list of prior art submitted on behalf of the applicants, and he was not precluded from again reviewing the '959 patent at the time he considered and allowed the amended claims. The fact that the Examiner apparently did not again review the '959 patent, which the inventor-applicants, assignees and prosecuting attorney would have expected him to do, is not evidence of an intent to mislead.

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CONCLUSIONS OF LAW

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of Riverwood's patent infringement action pursuant to 28 U.S.C. § 1338(a) and jurisdiction over Mead's counterclaim pursuant to 28 U.S.C. § 2201.

2. Personal jurisdiction over Mead is proper as admitted by Mead.

3. Venue for this action is proper pursuant to 28 U.S.C. §§ 1391(c) and 1400(b).

II. INFRINGEMENT — CLAIM SCOPE

4. The scope of a claim is "a matter of law exclusively for the court." *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970-71 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996). In addressing the legal issue of claim interpretation, three sources are to be consulted: the claims, the specification, and the prosecution history. *Id.* at 979. Extrinsic evidence such as the testimony of expert witnesses may also be considered, but only when necessary to resolve an ambiguity. *Vitrionics Corp. v. Conceptronic Inc.*, 90 F.3d 1576, 1585, 39 USPQ 1573, 1579 (Fed. Cir. 1996).

5. The terms of a claim "will be given their ordinary meaning, unless it appears that the inventor used them differently." *ZMI Corp. v. Cardiac Resuscitator Corp.*, 844 F.2d at 1576, 1579 (Fed. Cir. 1988).

6. In interpreting "means plus function" language in claims of the type present here in element (d) of claim 1 of the '806 patent, one must look to the function as recited in the claim. Paragraph 6 of 35 U.S.C. § 112 sets forth the scope of a means plus function claim as follows:

> An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or act described in the specification and equivalents thereof.

Thus, when a specified function is expressed in a claim, the claim is construed to cover the corresponding structure, etc. described in the specification. Accordingly, the first step in interpreting a means-plus-function claim is to determine the function being performed. The "function" is set forth in the claim itself. *D.M.I., Inc. v. Deere & Co.*, 755 F.2d 1570, 1573 (Fed. Cir. 1985). Next, the specification must be reviewed to determine what are the "structure, material, and acts" for accomplishing that function. The claim is then interpreted to cover these "structure, material, and acts" and equivalents thereof. *Id.*

7. In applying this means-plus-function requirement, attention must be directed to the function specified in the claim and the structure or structures disclosed in the specification for performing the function recited in the claim and equivalents thereof. *D.M.I., Inc. v. Deere & Co.*, 755 F.2d 1570, 225 USPQ 236, 238 (Fed. Cir. 1985).

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8. In the present case, the means-plus-function element, the scope of which is to be determined, is the last element, element (d) of claim 1, which reads as follows:

> (d) article group transfer means for moving article groups into the open ends of the carton sleeves, said article group transfer means comprising guide support means longitudinally moving in parallel synchronization with said carton supply conveyor, a plurality of transversely operative, longitudinally moving pushing mechanisms, and activation means to transversely move said pushing mechanisms at predetermined longitudinal positions.

9. Element (d) recites a primary "means" in the form of "article group transfer means for moving article groups into the open ends of the carton sleeves," which is then stated to comprise "guide support means," "pushing mechanisms," and "activation means." The recitation in a claim of a primary means defined further as comprising components in the form of secondary means and structural elements does not preclude the application of Section 112, last paragraph, where the recitation of structure only describes a function. *The Laitram Corp. v. Rexnord, Inc.*, 19 USPQ2d 1367, 1369 (Fed. Cir. 1991). In claim 1, the term "pushing mechanisms" only expresses a function, pushing, not a structure, and, therefore, does not preclude interpretation of the "article group transfer means" by reference to the specification.

10. The function of the "article group transfer means" recited in claim 1 is:

moving article groups into the open ends of the carton sleeves.

It is the structure disclosed in the specification for carrying out this function that is to be considered. The claim is not to be limited to what might be added to a disclosed structure where such modification performs an additional function that does not come within the function recited in the claim. *D.M.I., Inc. v. Deere & Co., supra*, 225 USPQ 238. Thus, if a structure disclosed in the '806 patent performed some other function while performing the function of "moving article groups into the open ends of the carton sleeves," the scope of claim 1 would not be limited to the aspect of the structure that carries out this additional function.

11. With reference to the drawings and specification of the '806 patent, there are two embodiments disclosed for accomplishing the function of "moving article groups into the open ends of the carton sleeves." The first is illustrated in Figures 1-16 and described with reference to these figures, and the other is illustrated in Figure 17 and described in relation to this Figure as a modification of the embodiment of Figures 1-16.

12. In the embodiment of Figures 1-16, the pusher mechanism includes a loader head 117 that has two fixed face members 118 and an extensible face member 119 located between the fixed members, each member initially engaging one row of three rows of articles, with the extensible face member 119 retracted to stagger the articles in a row, thus allowing the product groups to be loaded in an initially "nested" configuration, in which the rows of articles are

staggered or unaligned, resulting in the groups having a narrower width than when aligned. This facilitates initial insertion of the nested rows of articles into the cartons, following which the extensible face member 119 is extended to the level of the adjacent outer fixed face members 118 during completion of the loading to move the rows of articles in the groups from a nested arrangement into an unstaggered and aligned configuration, fitting tightly into the cartons. The purpose of the "nesting" followed by unnesting during completion of insertion into the cartons is to accomplish the function of "moving article groups into the open ends of the carton sleeves," and not for some other function.

13. This disclosure is clear and unambiguous and does not require any special interpretation by one of ordinary skill in the art, and, if the embodiment of Figures 1-16 were the only embodiment disclosed in the '806 patent, claim 1 would be limited in literal scope to the "nesting" feature.

14. However, as stated in detail in the foregoing Findings of Facts, the embodiment disclosed in Figure 17 and described in the specification does not incorporate a "nesting" feature and claim 1, therefore, must be construed not to be limited to "nesting" in order to comply with the requirements of Section 112, last paragraph, and "be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof."

15. It is concluded that claims 1 and its dependent claim 13 are not limited in scope to the "nesting" feature.

16. No determination of the scope of claims 1 and 13 other than as to the "nesting" feature is involved in this case as this is the only aspect at issue, Mead having stipulated that if the claims are not limited to "nesting" the accused cartoners infringe.

17. As it has been concluded that claims 1 and 13 are not limited to the "nesting" feature, it is concluded that Mead's accused DuoStack cartoners literally infringe claims 1 and 13 of the '806 patent.

III. INVALIDITY

18. The '806 patent is presumed valid pursuant to 35 U.S.C. § 282, and Mead has the burden of proving, by clear and convincing evidence, that the '806 patent claims 1 and 13 are invalid. *American Hoist & Derrick v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984).

19. The consideration of the issue of validity has been simplified by Riverwood stipulating that elements (a), (b), and (c) of claim 1 are all disclosed in one prior art patent, namely the Langen '959 patent and that element (d) defines a "barrel cam loader" which was known to be used in cartoners. The issues for determination then become only whether all of the elements are found in any one piece of prior art, which would render the claims invalid as being anticipated under Section 102, or whether it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the known barrel cam loader with a cartoner that included elements (a), (b), and (c), which would

render the claims invalid for obviousness pursuant to Section 103. For purposes of present consideration, the combination of the elements (a), (b), and (c), are characterized by a three stream system, one stream being an article infeed stream, a second stream being an article selecting stream, and the third stream being a carton supply stream.

A. *Anticipation*

20. Mead alleges that the Le Bras '139 patent discloses the combination of all of the elements and, therefore, renders claims 1 and 13 invalid as being anticipated. However, as stated in the foregoing Findings of Fact the Le Bras '139 patent discloses only two streams. What could be considered to be a third or infeed stream is disclosed in the '333 European Patent that is mentioned in the background of the '139 patent. However, there is no disclosure in the '139 patent of a third stream and the reference to the '333 European Patent in the statement of the background in the '139 patent is not an incorporation by reference.

21. Mead's use of an animation to show the incorporation of the infeed stream of the European '333 patent into the disclosure of the '139 Le Bras patent is given little weight as there is no disclosure in the Le Bras '139 patent that this should be done and the combination is more than physically attaching the actual disclosure of one to the other. Furthermore, it is recognized that animations can be made to present any result desired.

22. Mead also asserted that the Pillsbury machine contained a three stream system, asserting that a single

physical conveyor can constitute more than one "conveyor." It is concluded, however, that there are not three separate conveyors providing a three-stream system in the Pillsbury machine.

23. Therefore, claims 1 and 13 are not anticipated and rendered invalid pursuant to Section 102.

B. *Obviousness*

24. A patent is invalid for obviousness where the differences between the subject matter of the patent and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art" to which the patent pertains. 35 U.S.C. § 103.

25. The ultimate determination of obviousness is a legal conclusion resting on factual determinations, including the scope and content of the prior art, the differences between the prior art and the claims at issue, the level of ordinary skill in the art, and objective evidence of non-obviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

26. Objective evidence of non-obviousness, commonly referred to as "secondary considerations" includes evidence of commercial success of the invention, satisfying a long-felt need, failure of others to find a solution to the problem at hand, and copying of the invention by others. *Pro-Mold and Tool Co., N.C. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1572, 37 USPQ2d 1626, 1629 (Fed. Cir. 1996).

27. Factual findings with regard to each of the above-stated elements upon which an obviousness determination is to be made are stated in detail in the foregoing Findings of Fact.

28. The issue of obviousness here is whether or not it would have been obvious to someone ordinarily skilled in the art to substitute a barrel cam loader for an angulated fixed guide in a three-stream system cartoner.

29. Because virtually all inventions are combinations of old elements, the question to be determined in deciding the obviousness of an invention where all of the components are old is whether "there is something in the prior art as a whole to suggest the desirability, and thus the obviousness, of making the combination." *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1556 (Fed. Cir. 1985). The suggestion or motivation need not be expressly stated, however, as it is what the combined teachings of the references would have suggested to those of ordinary skill in the art. *Cable Elec. Prods., Inc. v. Genmark, Inc.*, 770 F.2d 1015, 1025, 226 USPQ 881, 886 (Fed. Cir. 1985).

30. As determined in the foregoing Findings of Fact in the present case there were suggestions in the prior art for making the aforesaid combination, including the Langen '959 and '077 patents where the same inventor first stated the invention as involving the use of a fixed guide with the prior art being described as including a barrel cam loader, and then obtaining a patent for an invention where the barrel cam loader was used in a cartoner; the Le Bras '139 patent disclosure of a barrel cam loader in a cartoner with reference

to the prior art that would result in a three-stream system cartoner; and the Pillsbury machine that was equipped to operate either with a barrel cam loader or an angulated fixed guide.

31. While generally the way in which an invention came about is not to be considered in determining obviousness, in the present case the fact that the inventors of the '806 patent first developed a cartoner that had angulated fixed guides instead of a barrel cam loader and abandoned that construction because of potential patent infringement and rather incorporated a barrel cam loader construction which they knew was used in cartoners is evidence that the inventors themselves, while not admitting it, recognized the obviousness of substituting a barrel cam loader for angulated fixed guides in a cartoner.

32. While the existence of prior art not considered by the Examiner does not weaken the presumption of validity pursuant to 35 U.S.C. § 282, it does make it easier to the challenger of validity to carry the burden of proof. *Alco Standard Corp. v. Tennessee Valley Authority*, 808 F.2d 1490, 1497, 1 USPQ 2d 1337, 1342 (Fed. Cir. 1986), *cert. dismissed*, 483 US 1052 (1987); *EWP Corp. v. Reliance Universal Inc.*, 755 F.2d 898, 905, 225 USPQ 20, 24 (Fed. Cir. 1985), *cert. denied*, 474 US 843 (1985).

33. In the present case the Examiner was not aware of either the Le Bras '139 patent or the European '333 patent, and was not aware of the Pillsbury machine when allowing claims 1 and 13 to issue in the '806 patent.

34. The facts as found above clearly and convincingly establish that the subject matter of claim 1 of the '806 patent

would have been obvious to one of ordinary skill in the art at the time of the invention of the subject matter.

35. Claim 13 of the '806 patent depends from claim 1, which means that it incorporates all the subject matter of claim 1, and adds the following additional detail:

> wherein said activation means comprises a cam track/cam follower assembly.

This is a common structure in barrel cam loaders and adds nothing patentable. Therefore, the subject matter of claim 13 is obvious for the same reasons as claim 1.

36. The foregoing findings and conclusions of obviousness apply whether claim 1 of the '806 patent is interpreted to have fixed or extensible faces on the head of the barrel cam loader as extensible faces are disclosed in the '077 patent and are obvious for that reason. Further, this feature was not relied on for unobviousness.

37. Riverwood introduced testimony of its technical expert, Donald Thomas, to opine that the subject matter of claim 1 would not have been obvious to someone ordinarily skilled in the art at the time of the invention. However, Mr. Thomas' testimony does not overcome the clear and convincing facts of obviousness. Moreover, it is at least questionable that Mr. Thomas had a proper understanding of the meaning of "obviousness" in the context of making a determination of whether it would have been obvious for someone ordinarily skilled in the art to substitute a barrel cam loader for an angulated fixed guide loader in a known cartoner. From his testimony it appears Mr. Thomas

understood that something would be unobvious to use if one ordinarily skilled in the art would prefer to use an alternative device even though that person knew that the non-preferred device was a well-known alternative that could for one reason or another be obvious to use under particular circumstances.

38. For example, when the '959 patent (column 1, lines 51-60) states that the common practice of using a "complex escalator type mechanism" (barrel cam loader) may be undesirable because of expense and maintenance disadvantages, this is a recognition of the obviousness of the use of a barrel cam loader not evidence of unobviousness.

39. Furthermore, Mr. Thomas admitted that if there was a particular reason to do so, it would be obvious to use a barrel cam loader, such as if there was a special package handling reason, a patent infringement reason, or if one wanted to use more positive force.

40. Riverwood's patent expert, Mr. Pravel opined that a teaching of substituting a barrel cam loader in a two stream cartoner did not render it obvious to substitute a barrel cam loader in a three stream cartoner. This is not persuasive as in both a two stream and a three stream cartoner the articles are in a single stream when they are acted on by the barrel cam loader or the angulated fixed guide loader for which the barrel cam loader is substituted. Whether the articles have been another third stream before they are in the stream that arrives at the barrel cam loader or angulated fixed guide loader does not change the conditions of the articles at the loader, whether it be a barrel cam loader or an angulated fixed guide loader. Thus, the obviousness of substituting a

barrel cam loader would be as apt for a three stream cartoner as for a two stream cartoner.

41. Mead's patent expert, Mr. Banner testified that it would have been obvious to one of ordinary skill in the art to substitute a barrel cam loader for a three stream angulated fixed guide loader in a three stream cartoner. It is not his ultimate opinion that is persuasive, but the basis for his opinion, which is included in the foregoing findings of fact.

42. Mead's technical expert, Dr. Erdman, was precluded from testifying as to the ordinary skill in the art and what would have been obvious to one ordinarily skilled in the art.

43. While Dr. Erdman has impressive and commendable credentials as a professor and high-level expert in the broad field of mechanical engineering and understands the mechanical aspects of cartoners, he had no significant experience in the cartoner art nor any exposure to those ordinarily skilled in the art to determine the level of skill. Being one highly-skilled, he could well be expected to have a different level of unobviousness than one ordinarily skilled.

44. Dr. Erdman did not interview persons ordinarily skilled in the art to determine their standard of obviousness and he was not experienced in determining obviousness otherwise, never before having testified on the issue of what would have been obvious to someone ordinarily skilled in the art, which is a hypothetical person, not a natural person, having knowledge of all preexistent pertinent prior art.

45. On the other hand, a patent attorney, such as Mr. Pravel for Riverwood and Mr. Banner for Mead, has

experience in evaluating issues of obviousness by rendering opinions over years of experience and having his skills honed by direct experience in dealing with the issue of obviousness in prosecuting patent applications before the U.S. Patent and Trademark Office and in dealing with determinations of obviousness by the courts. Furthermore, patent attorneys are considered by the courts as being qualified to render expert opinions on obviousness in cases where there are issues of willful infringement and opinions of patent attorneys are recognized as being competent to be relied on by an alleged infringer with no requirement that the attorney first obtain an opinion on obviousness from someone ordinarily or expertly skilled in the art or that the attorney have any special experience in the technology of the subject matter of a patent prior to making a study of the art in relation to the patent at issue.

46. Mead presented a video animation illustrating the prior art and Dr. Erdman's combinations of the prior art. This animation was given no consideration in determining obviousness other than as an illustration in animation of what Dr. Erdman was stating in his testimony. As developed in cross examination, the animation shown to not be an accurate combination of the detailed disclosures of the prior art patents and machine and, in some cases, the animated combinations would have been inoperable.

47. Animations can be made to show anything, being mere figments of the imagination of an animator. Sow's ears can be made into silk purses and everyone has seen an elephant fly in animation. Here, an animation could as easily have been made showing the inoperability of the combination of the prior art components.

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48. It is the legal conclusion based on the facts as determined that it has been established by clear and convincing evidence that the subject matter as a whole of claims 1 and 13 of the '806 patent would have been obvious at the time the invention was made to a person having ordinary skill in the art and that claims 1 and 13, therefore, are concluded to be invalid pursuant to 35 U.S.C. § 103.

49. Applying the applicable law to the facts as stated in the foregoing Findings of Fact, it is concluded that claims 1 and 13 of the '806 patent are invalid.

50. The facts do not establish a sufficient nexus between the subject matter of the claims of the '806 patent and the commercial success of the Twin Stack cartoner to overcome the clear and convincing finding of obviousness from the prior art and the clear and convincing evidence of obviousness from the prior art clearly outweighs any significance that may result from secondary considerations otherwise.

IV. INEQUITABLE CONDUCT

51. Individuals associated with the filing and prosecution of patent applications have a duty of candor and good faith in dealing with the Patent Office, which includes a duty to disclose to the Patent Office all information known to that individual to be material to patentability. This duty exists with respect to each pending claim until the claim is canceled or withdrawn from consideration. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was

cited by the Patent Office or submitted to the Patent Office in an Information Disclosure Statement. However, no patent will be granted on an application in connection with which fraud on the Patent Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. 37 C.F.R. § 1.56. A patent is rendered unenforceable when the applicant does not comply with the duty of candor. *Paragon Podiatry Lab., Inc. v. KLM Labs, Inc.*, 984 F.2d 1182, 1190-91 (Fed. Cir. 1993).

52. Inequitable conduct must be proven by clear and convincing evidence. *Paragon* at 1189.

53. Inequitable conduct includes failure to disclose material information or submission of false material information, with an intent to mislead. *J. P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).

54. The determination of inequitable conduct involves a two-step analysis. First, a determination must be made whether the alleged act or omission satisfies a threshold level of materiality. Second, a determination must be made whether there is a threshold showing of an intent to mislead. Assuming that the thresholds are established, the materiality and intent must be balanced, i.e., the greater the materiality, the less showing of intent is required, and, conversely, the less materiality, the greater showing of intent is necessary, *Halliburton Co. v. Schlumbeger Technology Corp.*, 925 F.2d 1435, 1439 (Fed. Cir. 1991).

55. The threshold of intent is not met by finding of gross negligence or recklessness alone, absent culpable intent.

Appendix C

Tol-O-Matic, Inc. v. Proma Produkt-Und Mktg. Gesellschaft, 945 F.2d 1546, 1554 (Fed. Cir. 1991); *Kingsdown Medical Consultants Ltd. v. Hollister, Inc.*, 863 F.2d 867, 873 (Fed. Cir. 1989), *cert. denied*, 490 U.S. 1067 (1989).

56. As recited in the foregoing Findings of Fact, Mead relies on two alleged instances of misconduct, both involving the Langen '959 patent.

57. The first instance is the alleged mischaracterization of the '959 patent in the Information Disclosure Statement by not describing the '959 patent as disclosing a three-stream system. However, the Information Disclosure Statement did identify the '959 patent and the Examiner initialed the identification to indicate that he had reviewed the '959 patent.

58. The statements in the Information Disclosure Statement were made at the time the pending claims did not include the three-stream system.

59. Even if the statement regarding the '959 patent in the Information Disclosure Statement was a mischaracterization of the '959 patent, there is no evidence to indicate any intent to mislead the Examiner by the inventor-applicants, Riverwood or the attorney who prosecuted the application in the U.S. Patent Office.

60. The second instance of alleged misconduct was the alleged mischaracterization of the prior art in the Amendment arguments submitted to overcome the rejection of then pending claims, which by the Amendment added the three-stream system. The statements made in the Amendment remarks were directed to overcoming the pending rejection,

which rejection was based on prior art cited by the Examiner, which cited prior art did not include the '959 patent.

61. There is no authority that requires a patent applicant to review and comment on every piece of prior art that had previously been identified when attempting to overcome a specific rejection based on particular prior art relied on in the rejection, particularly where the Examiner has access to the accused mischaracterized prior art.

62. It is concluded that the evidence does not establish by clear and convincing evidence that any inequitable conduct occurred in prosecuting the patent application that resulted in the '806 patent.

63. Therefore, it is concluded that the '908 patent is not unenforceable for inequitable conduct.

CONCLUSIONS

A. Mead's accused DuoStack cartoner infringes claims 1 and 13 of the '806 patent.

B. Claims 1 and 13 of the '806 patent are invalid for obviousness.

C. The '806 patent is not unenforceable for inequitable conduct.

s/ Dalbert U. Shefte
Dalbert U. Shefte
Special Master

Date: March 9, 1998

APPENDIX D — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING DATED JUNE 22, 2000

United States Court of Appeals
for the Federal Circuit

99-1274

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

v.

THE MEAD CORPORATION,

Defendant-Appellant.

ORDER

A combined petition for panel rehearing and rehearing en banc having been filed by the APPELLEE, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

Appendix D

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on June 29, 2000.

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: June 22, 2000

APPENDIX E — NOTICE OF APPEAL DATED AND FILED FEBRUARY 12, 1999

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

CIVIL ACTION FILE NO. 1:94-CV-90-CAM

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff,

v.

THE MEAD CORPORATION,

Defendant.

NOTICE OF APPEAL

Notice is hereby given that The Mead Corporation, defendant in the above-captioned matter, by and through its undersigned counsel of record and in accordance with 28 U.S.C. § 2107 and Rule 3 of the Federal Rules of Appellate Procedure, hereby appeals to the United States Court of Appeals for the Federal Circuit from the Order and Judgment entered herein on January 14, 1999 granting partial summary judgment in favor of plaintiff Riverwood International Corporation and holding that claims 1 and 13 of Ziegler, et al. United States Patent number 5,241,806 are not invalid for obviousness.

Appendix E

Respectfully submitted, this 12th day of February, 1999.

KING & SPALDING

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Supreme Court, U.S.
FILED
OCT 23 2000
OFFICE OF THE CLERK

(2)

No. 00-442

IN THE

Supreme Court of the United States

RIVERWOOD INTERNATIONAL CORPORATION,

Petitioner,

v.

THE MEAD CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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99 pp

OBJECTIONS TO QUESTIONS PRESENTED

Respondent The Mead Corporation ("Mead") objects to the erroneous statements included in the first Question Presented by Petitioner Riverwood International Corporation ("Petitioner"), specifically (i) that the Federal Circuit did not "undertak[e] the required review of the underlying findings of fact," (ii) that the Federal Circuit did not "acknowledg[e] petitioner's assertion of numerous clear errors in those findings," and (iii) that the alleged errors in the findings "would require upholding the district court's conclusion that the patent was not invalid for obviousness."

As demonstrated *infra*, the Federal Circuit both acknowledged Petitioner's assertion of clear errors and undertook to examine the findings of fact underlying the district court's judgment, and, therefore, statements (i) and (ii) are inaccurate and misleading. Statement (iii) represents Petitioner's litigation position, not a fact, and is misleading to the extent that Petitioner relies upon it as a factual basis for the Question Presented.

STATEMENT PURSUANT TO RULE 29.6

The Mead Corporation has no parent company and there is no publicly held company which owns 10% or more of The Mead Corporation's stock.

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COUNTER-STATEMENT OF THE CASE

The Petition for a Writ of Certiorari ("Petition") hinges on Petitioner's misleading assertion that Petitioner provided the Federal Circuit with a showing — supposedly supported by the evidentiary record — that the district court's findings of fact were clearly erroneous, but that its showing was ignored by the Federal Circuit because Petitioner was the appellee and was precluded from filing a notice of cross-appeal. On the contrary, as demonstrated in Petitioner's brief on appeal, Petitioner, recognizing the lack of evidentiary support to attack the district court's findings of fact as clearly erroneous, made a strategic decision *not* to rely upon purported clear error in the findings of fact. *See* Appendix ("App."), *infra*, 1a-56a. Rather, it chose to posit the great majority of its disputes with the district court's findings of fact as legal — not factual — error. This strategy proved unavailing when the Federal Circuit examined the findings of fact and ruled in favor of Mead, reversing the district court's erroneous legal conclusion and holding the relevant claims of the patent-in-suit to be invalid for obviousness under 35 U.S.C. § 103. Now Petitioner seeks a grant of certiorari to rescue it from its failed strategy. A writ of certiorari is granted to review lower courts' conflicts and errors in important questions of federal law, *see* Sup. Ct. R. 10, not to remedy a party's tactical decisions below. The Petition should be denied.

As set forth in the Petition, the underlying dispute concerns Petitioner's claim that Mead infringed claims 1 and 13 of Petitioner's United States Patent No. 5,241,806 (the " '806 Patent"). On the consent of the parties, the case was tried before a Special Master. After a seven-day trial, the Special Master issued a Report containing findings of fact and conclusions of law, in which he concluded, *inter alia*, that claims 1 and 13 of

the '806 Patent were invalid for obviousness pursuant to 35 U.S.C. § 103. Appendix to Petition ("Pet. App.") 54a, 57a.[1]

The district court ruled, at a hearing conducted after both parties had submitted objections to the Special Master's Report, that although it agreed with all other aspects of the Report, it would reject the legal conclusion of invalidity based on obviousness. Both parties submitted proposed orders to implement the district court's oral ruling. Recognizing that a conclusion of non-obviousness could not be supported by the Special Master's factual findings, Petitioner submitted a proposed order asking the district court to reject or modify all of the Special Master's findings necessary to the obviousness determination, particularly findings of fact 34 through 41, 46 through 48, 50 through 54, 56 and 65. Fed. Cir. App. A1980-2018[2]; Pet. App. 29a-39a.

Rejecting Petitioner's proposed order, the district court cited Federal Rule of Civil Procedure 53(e)(2), and "accept[ed] each of the Special Master's findings of fact as to all the matters at issue, finding none of them clearly erroneous." Pet. App. 9a. The court "commend[ed] the thoroughness and ability with which the Special Master [had] performed his duties," and explained that "the fact that the Court does not come to the same conclusion of law as the Special Master in one instance is certainly no reflection on the excellence of his report." *Id.*

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1. The Special Master also made findings of fact that were not relevant to the obviousness issue, and arrived at the legal conclusions that claims 1 and 13 were infringed, that the patent was not invalid on the basis of 35 U.S.C. § 102 (anticipation) and that the patentee had not engaged in inequitable conduct in the United States Patent and Trademark Office. Pet. App. 45a, 47a, 57a.

2. References to the Joint Appendix in the Federal Circuit shall be cited as "Fed. Cir. App. __".

Mead timely filed a Notice of Appeal, which properly specified that Mead was appealing from that portion of the district court's judgment that held the '806 Patent not invalid for obviousness. Pet. App. 60a-61a. In its briefs to the Federal Circuit, Mead argued that the findings of fact, established by clear and convincing evidence and adopted by the district court, led to but one conclusion — that the '806 Patent was invalid for obviousness — and that the district court had erred in concluding otherwise.

Despite Petitioner's suggestions to the contrary, it was not precluded from contending on appeal that the findings of fact were clearly erroneous; it had the right to urge any evidence in the record in support of the judgment that it sought to affirm. *See* discussion, *infra*, at 7-10. In fact, in defense of the judgment below, Petitioner asserted, "Riverwood does believe that a number of the Special Master's factual findings are clearly erroneous and most of those erroneous findings are discussed herein. However, Riverwood believes that, even under the facts as found by the Special Master, claims 1 and 13 of the '806 patent have not been proven invalid." App., *infra*, 23a n.13. Accordingly, Petitioner's brief to the Federal Circuit reflects its primary reliance upon legal arguments rather than evidentiary challenges to the facts. App., *infra*, 24a-56a.

Indeed, Petitioner made every effort to escape from the "clear error" standard of review.[3] Illustrative of Petitioner's

3. Under the applicable standards of review, the district court's findings of fact could be reversed only if clearly erroneous, *i.e.*, only if "the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948); *accord* Fed. R. Civ. P. 52(a); *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1423 (Fed. Cir. 1988) (factual findings underlying obviousness determination are subject to clear-error standard of review).

strategy was its challenge to the finding — alleged to be clearly erroneous — that there was an "insufficient nexus" linking commercial success of the Twin Stack machine[4] to the invention disclosed in claims 1 and 13 of the '806 Patent[5]:

- Petitioner attempted to convert its factual challenge to a legal argument, asserting that the Special Master had committed legal — not factual — error in its evaluation of the factors contributing to the alleged commercial success of the Twin Stack. App., *infra*, 47a-52a.

- Petitioner contended that the record contained substantial evidence supporting its theory of nexus, without providing any citations to the record to support this assertion. App., *infra*, 48a. But even if Petitioner had cited substantial evidence, this would not suffice to establish that the contrary factual finding was clearly erroneous. *See Anderson v. City of Bessemer City*, 470 U.S. 564, 574 (1985) (under Rule 52(a), "[w]here there are two permissible views

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4. The Twin Stack is Petitioner's cartoning machine embodying the '806 Patent. Pet. App. 2a.

5. Petitioner's sole evidentiary attack on the nexus issue focused on the finding that Petitioner had entered into a development agreement with Pepsi-Cola, under which Pepsi-Cola funded the development of the Twin Stack in return for rebates on cartons and an exclusive option on cartoners. To demonstrate clear error, Petitioner cited evidence demonstrating that Pepsi-Cola had funded the acceleration of the machine, that Pepsi-Cola had received an exclusive option on the cartoners, and that it had been offered a rebate on cartoners and on cartons. App., *infra*, 49a. In short, the evidence cited failed to establish any error whatsoever in the factual finding.

> of the evidence, the factfinder's choice between them cannot be clearly erroneous").

Moreover, Petitioner's purported challenges to the facts were so vaguely articulated and poorly supported that the Federal Circuit asked Petitioner at the oral argument for clarification as to which findings were alleged to be clearly erroneous. App., *infra*, 68a. The Federal Circuit not only gave Petitioner the opportunity to clarify its assertions of clear error — the court also expressly demonstrated its consideration of those assertions. For example, informed that Petitioner was attacking the factual findings concerning commercial success, the court probed Petitioner to identify the evidence in the record below which would support its attack. App., *infra*, 73a-74a. In addition, the Federal Circuit expressly articulated its understanding of its duty in considering the factual underpinnings of the contested conclusion of non-obviousness, asking Petitioner, "[D]o you agree that it's our duty now to take a look at those findings and come to a conclusion ourselves as a matter of law . . .?" Counsel for Petitioner assented: "My understanding is that you do the review [of the conclusion] *de novo*, and that in looking at whether or not [the district court] was right, I think yes you have to look at those." App., *infra*, 72a.

The Federal Circuit then did just that, noting in its decision that "[o]ur task is to examine the findings [of fact] related to the factors articulated in *Graham*[6] and determine whether the district court erred by deciding that the claims were not obvious as a matter of law." Pet. App. 4a. Based upon its examination of the findings, after hearing Petitioner's contentions regarding

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6. The court was referring to *Graham v. John Deere Co.*, 383 U.S. 1 (1966), in which this Court established the factual inquiries upon which the legal conclusion of obviousness is based.

the sustainability of such findings, the Federal Circuit held that the district court's conclusion of non-obviousness was erroneous, and it reversed and found claims 1 and 13 of the '806 Patent invalid for obviousness.

REASONS FOR DENYING THE WRIT

This case is not appropriate for the grant of a writ of certiorari for the following reasons:

1. The Federal Circuit's judgment below did nothing to alter the availability of an appellee's opportunity, in the absence of a cross-appeal, to challenge the reasoning underlying a judgment. Under this Court's long-established precedent, an appellee seeking to uphold a judgment may urge any matter appearing in the record, and may even attack the reasoning of the lower court. *See Morley Constr. Co. v. Maryland Cas. Co.*, 300 U.S. 185 (1937). In this case, Petitioner was not deprived of the opportunity to have its challenges to the facts heard by the Federal Circuit. Indeed, the Federal Circuit and Petitioner agreed that the court had a duty to look at those facts as presented to them by the parties on appeal, and that is exactly what the court did. Pet. App. 4a ("Our task is to examine the findings . . . .").

2. The Federal Circuit's judgment was in harmony — not in conflict — with its own precedent and with the precedent of this Court. Contrary to Petitioner's assertions, *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987) ("*Panduit II*"), does not obligate the Court of Appeals expressly to explain how or why each unassailable finding of fact is free from error. Rather, *Panduit II* establishes the appellate standard of review for the elements of a determination of obviousness, and the Federal Circuit properly applied that standard of review in reversing

the district court's judgment. Petitioner essentially asks this Court to require the Court of Appeals to state in every written opinion an express analysis of each of an appellee's arguments, regardless of their merits. This argument lacks any legal foundation, and it is unsuitable for this Court's review.

I. THE FEDERAL CIRCUIT'S DECISION WAS CONSISTENT WITH THIS COURT'S LONG-STANDING PRECEDENT WHICH PERMITS AN APPELLEE TO ATTACK THE REASONING UNDERLYING A JUDGMENT THAT IT SEEKS TO UPHOLD.

Petitioner attempts to fabricate a certifiable question by contending that it was deprived of an opportunity to be heard on its challenges to the district court's findings of fact because, as the appellee seeking to sustain the judgment, it lacked standing to bring a cross-appeal. Black-letter law, however, provides that an appellee is not required to file a cross-appeal before the appellate court will hear its attack on the findings of fact underlying a district court's judgment. Here, both the Petitioner and the Court of Appeals acted consistently with that long-standing procedure: Petitioner did not notice a cross-appeal; Petitioner did attack the findings of fact on appeal; and the Federal Circuit considered those attacks. Thus, Petitioner obtained the appellate review to which it was entitled, and its "standing" contention is frivolous.

The "inveterate and certain" rule governing the arguments that may be asserted by an appellee who has not filed a cross-appeal is as follows:

> Without a cross-appeal, an appellee may "urge in support of a decree any matter appearing in the record, although his argument may involve an attack

> upon the reasoning of the lower court or an insistence upon matter overlooked or ignored by it."

Morley, 300 U.S. at 191 (quoting *United States v. American Ry. Express Co.*, 265 U.S. 425, 435 (1924)); *see also El Paso Natural Gas Co. v. Neztsosie*, 526 U.S. 473, 479-80 (1999) (confirming continued viability of rule).[7] The only thing that Petitioner

> may not do in the absence of a cross-appeal is to "attack the decree with a view either to enlarging his own rights thereunder or of lessening the rights of his adversary, whether what he seeks is to correct an error or to supplement the decree with respect to a matter not dealt with below."

Morley, 300 U.S. at 191 (quoting *American Ry. Express*, 265 U.S. at 435); *see also El Paso*, 526 U.S. at 479-80 (precluding appellee from asserting argument that would result in modification of judgment below).

In this case, Petitioner sought to affirm the district court's judgment, without modification or enlargement of its rights thereunder. App., *infra*, 56a. Petitioner was not, therefore, precluded from challenging the underlying findings of fact that

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7. The Federal Circuit is well aware of this long-standing rule; the court applied the rule earlier this year, holding that an appellee in a customs appeal who had not filed a cross-appeal was not prohibited from asserting, in support of the judgment below, an alternative legal theory that differed from the district court's reasoning underlying the judgment. *Carnival Cruise Lines, Inc. v. United States*, 200 F.3d 1361, 1365 (Fed. Cir. 2000).

formed part of the district court's reasoning,[8] and, contrary to the assertions in the Petition, the Federal Circuit's opinion and comments at oral argument reflect that it did not disregard Petitioner's contentions regarding the findings of fact. Rather, the court "examine[d] the findings related to the factors articulated in *Graham* and determine[d] whether the district court erred by deciding that the claims were not obvious as a matter of law." Pet. App. 4a. That examination of the facts was promised at the oral argument when the Court of Appeals, through its questioning of Petitioner's counsel, made every effort

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8. Petitioner's assertion that it was not on adequate notice that Mead's appeal would not seek to overturn the district court's factual findings is both irrelevant and incredible. The Notice of Appeal was entirely in conformance with Fed. R. App. P. 3(c), as it designates that Mead was appealing the district court's judgment holding claims 1 and 13 of the '806 Patent not invalid for obviousness. Pet. App. 60a. Petitioner does not — and cannot — claim that the Notice was defective. The notion that Petitioner was somehow caught off guard by Mead's position on appeal — that the district court had erred in making a legal conclusion of obviousness based upon the undisturbed findings of fact — is patently absurd for several reasons: First, Mead was not required to attack every element of the district court's reasoning in its challenge to the judgment. As noted in Petitioner's own brief on appeal, the Federal Circuit reviews judgments, not opinions. *See* App., *infra*, 23a n.13 (citing *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540 (Fed. Cir. 1983)). Second, having sought to alter every one of the critical findings of fact in the district court, Fed. Cir. App. A1980-2018, Petitioner was well aware that the findings of fact supported a conclusion of obviousness — the very result that Mead sought on appeal. Finally, the very case upon which Petitioner bases its Petition, *Panduit II*, notes that an appellant seeking to reverse a district court's determination on the issue of obviousness, without risking remand, has several options, one of which "is to show that a proper application of the law to unassailable findings compels reversal." 810 F.2d at 1565. This is exactly the showing that Mead made and that the Federal Circuit adopted.

to understand and address Petitioner's arguments and contentions, in light of Petitioner's obscure articulation and deficient evidentiary support. App., *infra*, 68a-75a. Petitioner received the judicial review which it sought and to which it was entitled. Petitioner's threat that a denial of certiorari will somehow encourage appellees to file unnecessary cross-appeals in order to secure appropriate review is belied by the review that Petitioner received from the Federal Circuit. The writ of certiorari is not warranted.

II. THE DECISION BELOW DOES NOT CONFLICT WITH *PANDUIT II* NOR WITH ANY AUTHORITY OF THIS COURT OR THE FEDERAL CIRCUIT.

Because the Federal Circuit's opinion did not include an express analysis of Petitioner's unavailing attacks on the findings of fact, Petitioner claims that the court failed to follow the dictates of *Panduit II*. There are two fundamental flaws in this argument: (i) Petitioner misinterprets *Panduit II* to impose an affirmative obligation requiring the Court of Appeals to make an express disposition of every factual argument raised by an appellee, and (ii) Petitioner misreads the Federal Circuit's opinion as failing to address Petitioner's unsupportable factual attacks.

A. *Panduit II* Does Not Require The Federal Circuit To Perform An Express Analysis Of Every Factual Finding Underlying A Judgment.

Panduit II, the cornerstone of the Petition, was issued upon remand after this Court's decision in *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986). There, the Court was unable to exercise plenary review of the Federal Circuit's decision on appeal, because the decision failed to indicate whether it had applied the clearly erroneous standard articulated

in Federal Rule of Civil Procedure 52(a) when reversing factual findings. *Id.* at 811. On remand, the Federal Circuit provided an extensive explanation of the nature of its review of the factual findings underlying a determination on the obviousness issue. *Panduit II*, 810 F.2d at 1565-68. As an introduction to its discussion, the court stated that "[o]n review of a judgment based on a conclusion of obviousness under 35 U.S.C. § 103, this court must consider not only whether there is legal error, but also whether the underlying findings are either nonprobative, or clearly erroneous, or both." *Id.* at 1565. Petitioner has seized upon this quote, taken out of context, as the lynchpin of its Petition for this Court's review. *Panduit II*, however, does not stand for the proposition that the Federal Circuit is affirmatively obligated to publish an express analysis of every factual finding in determining whether it is clearly erroneous. Petitioner has not cited a single legal authority for this interpretation of *Panduit II*. Indeed, Mead's diligent search of Federal Circuit decisions subsequent to *Panduit II* yielded no cases that interpreted the case to require such an undertaking.

Petitioner's interpretation of *Panduit II*, in fact, is inconsistent with the jurisprudence of other Courts of Appeals and with the Federal Rules of Appellate Procedure, which require a party to an appeal to articulate clearly its contentions and the reasons therefor. *See* Fed. R. App. P. 28(a)(9), 28(b). Here, Petitioner, having made a strategic decision to avoid directly attacking the findings of fact as clearly erroneous, confused its factual arguments. It argued that the district court's factual findings were the result of legal error and that substantial evidence would have supported contrary findings. App., *infra*, 24a-56a. In the rare instances where Petitioner did attempt to meet the "clear error" standard, it failed to supply support that would convince the court that "a mistake had been made". *See United States v. United States Gypsum*

Co., 333 U.S. 364, 395 (1948). Now, without having provided the necessary evidentiary showing for its purported assertions of clear error, Petitioner seeks to saddle the Federal Circuit with the burden of including in its opinion an attempt to individually address and make sense of each of Petitioner's purported factual arguments.[9] In short, Petitioner is overreaching.

A fair reading of *Panduit II* demonstrates that its import was not to require an explicit scouring of the factual record, but, rather, to spell out the Federal Circuit's role in reviewing factual arguments that are properly before it. In fact, *Panduit II*'s discussion of this role provides for exactly the situation that was before the Federal Circuit in the instant case:

> If unassailable findings were made but could not support the appealed judgment under a proper application of law, an appellate court may vacate or reverse, but not make its own findings.

810 F.2d at 1565. The district court's findings of fact were unassailable — they were established by clear and convincing evidence and, pursuant to Federal Rule of Civil Procedure 53, were adopted by the district court, who praised the "thoroughness and ability with which the Special Master has performed his duties." Pet. App. 9a. Those facts could not support the district court's judgment under a proper application of 35 U.S.C. § 103, and the Federal Circuit properly reversed.

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9. The Courts of Appeals have consistently held that they will not supply the support for a party's insufficiently articulated arguments. *See Apgar v. State*, 2000 WL 1059444, at *8 (10th Cir. Aug. 2, 2000) ("Neither the district court, or this Court on appeal, is obligated to comb the record in order to make Ms. Apgar's argument's for her."); *John v. Barron*, 897 F.2d 1387, 1393 (7th Cir. 1990) ("This court is not obligated to research and construct legal arguments open to parties, especially when they are represented by counsel as in this case.").

B. The Federal Circuit Gave Appropriate Consideration To The Factual Findings Underlying The Determination On Obviousness.

Petitioner seeks review by this Court due to the absence of an explicit statement in the Federal Circuit's opinion that the findings of fact below were not clearly erroneous. As the foundation for Petitioner's claim that the appellee's arguments were not heard by the Court of Appeals, Petitioner clings to the Federal Circuit's observation that the appellant, Mead, had not challenged the findings. To make this argument, Petitioner willfully ignores the express indications that the Federal Circuit did consider Petitioner's challenges to the factual findings, but considered the challenges unworthy of comment.

In its opinion, the Federal Circuit noted that its "task is to *examine the findings* related to the factors articulated in *Graham* [*i.e.*, the factual inquiries underlying a determination on the issue of obviousness] and determine whether the district court erred by deciding that the claims were not obvious as a matter of law." Pet. App. 4a (emphasis added). Thus, although the Federal Circuit's opinion is brief and to the point, it clearly indicates that the court examined the findings of fact, as challenged by Petitioner, before reaching its conclusion that the district court had erred.

Any doubt in this regard is resolved by examining the transcript of the oral argument. There, despite the vagueness and obscurity of Petitioner's purported assertions of clear error in its appellee's brief, the panel affirmatively sought to understand the extent to which Petitioner alleged that the findings were clearly erroneous. The court expressly asked counsel for Petitioner to identify the challenged findings, App., *infra*, 68a, and to point to evidence that would support its

allegations of clear error, App., *infra*, 73a. Finally, the court even articulated its duty with respect to the review of fact and law, and counsel for Petitioner agreed with the court's articulation of that duty:

> THE COURT: Well, do you agree that it's our duty now to take a look at those findings and come to a conclusion ourselves as a matter of law whether obviousness has been —
>
> MR. MANNING: . . . My understanding is that you do the review de novo, and that in looking at whether or not Judge Moye was right, I think yes you have to look at those.

App., *infra*, 72a. The record makes clear that the Federal Circuit *did* consider Petitioner's attacks on the findings of fact; but, to Petitioner's disappointment, it properly considered them unworthy of serious discussion. Petitioner's disappointment is not a basis for a grant of the writ of certiorari.

CONCLUSION

The Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX

APPENDIX A — BRIEF OF PLAINTIFF-APPELLEE RIVERWOOD INTERNATIONAL CORPORATION DATED JUNE 15, 1999

99-1274

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

v.

THE MEAD CORPORATION,

Defendant-Appellant.

Appeal from a decision of the United States District Court For the Northern District of Georgia, No. 94-CV-90, Entered January 14, 1999, Senior Judge Charles A. Moye, Jr.

BRIEF OF PLAINTIFF-APPELLEE RIVERWOOD INTERNATIONAL CORPORATION

Appendix A

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Appendix A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Riverwood International Corporation
v. The Mead Corporation

No. 99-1274

Certificate of Interest

Counsel for the Appellee, RIVERWOOD INTERNATIONAL CORPORATION, certifies the following:

1. The full name of every party or amicus represented by me is:

   Riverwood International Corporation

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   Riverwood International Corporation

3. The parent companies, subsidiaries (except wholly owned subsidiaries), and affiliates that have issued shares to the public, of the party or amicus curiae represented by me are:

   None.

Appendix A

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Wellington M. Manning, Jr., Neil C. Jones and
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March 15, 1999 — s/ Neil C. Jones
Date — Counsel for Appellee

[Tables omitted]

STATEMENT OF RELATED CASES

Appellee agrees with the Statement of Related Cases set forth on page vi of Appellant's Brief.

Appendix A

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Appeal No. 99-1274

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

v.

THE MEAD CORPORATION,

Defendant-Appellant.

This brief is filed on behalf of Plaintiff-Appellee Riverwood International Corporation ("Riverwood") in response to the Brief of Defendant-Appellant The Mead Corporation ("Mead").

STATEMENT OF THE ISSUES

Did the District Court correctly hold that Mead had failed to prove, by clear and convincing evidence, that claims 1 and 13 of U.S. Patent No. 5,241,806 were invalid for obviousness?

STATEMENT OF THE CASE

On January 14, 1999, the District Court entered Judgment in this patent infringement action in favor of

Plaintiff Riverwood. [A9][1] The District Court determined that:

A. Claims 1 and 13 of Riverwood's U.S. Patent No. 5,241,806 ("the '806 patent") are infringed by Mead's accused DuoStack machine;

B. Claims 1 and 13 of the '806 patent are not invalid for obviousness; and

C. The '806 patent is not unenforceable for inequitable conduct.

In this Appeal, Mead no longer contests Parts A and C of the Judgment. Mead has appealed Part B.

The Judgment entered by the District Court followed a hearing on the parties' cross motions to bring objections to a Special Master's report. The District Court had appointed the Special Master to receive evidence and arguments on the liability issues of infringement, validity and inequitable conduct.[2] After a liability trial, the Special Master issued a

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1. When making references to the record, Appellee will use the same convention as used in Appellant's Brief. A particular page in the appendix will be set forth in the form "A[#]." A more specific reference to a Finding of Fact ("FF¶") or Conclusion of Law ("CL¶") of the Special Master, a transcript page ("p." or "pp.") or column ("Col.") and line number of a patent will often follow the appendix page.

2. The Court ordered that trial of this case would take place in two phases. The initial trial would address the liability issues, with the second trial being reserved for the issues of willful infringement and damages. [A13]

report recommending that Mead's accused machine infringed the '806 patent and that the '806 patent was not unenforceable for inequitable conduct. The Report also recommended, however, that claims 1 and 13 of the '806 patent be held invalid for obviousness.

Both parties filed objections to certain aspects of the Special Master's report. Mead objected to the Special Master's recommendation that no inequitable conduct occurred during prosecution of the '806 patent;[3] and Riverwood objected to the Special Master's recommendation that claims 1 and 13 be held invalid for obviousness.

After a hearing on the objections, the District Court issued an Order [A1-A8] upholding and adopting the Special Master's finding of infringement of the '806 patent by Mead's DuoStack machine and the Special Master's rejection of Mead's inequitable conduct defense. The District Court further held that, even accepting the factual findings as found by the Special Master, Mead did not prove that claims 1 and 13 of the '806 patent were invalid.

STATEMENT OF THE FACTS

A. *"Two-Stream" v. "Three-Stream"*

The '806 patent relates to a relatively large machine (referred to as a "cartoner") for use in an industrial bottling facility. [A325-A347; A289, pp. 1350-1352; A292,

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3. Mead did not bring objections to the portion of the Special Master's report recommending the finding of infringement.

pp. 1369-1371] The cartoner will continuously load individual containers[4], such as soft drink cans, into open-ended carton sleeves at high rates of speed. [A289, pp. 1350-1353] Cartoners typically cost several hundred thousand dollars or more, and are located downstream of other machinery used to fill and close the individual cans. [A277, p. 1280; A289, pp. 1352-1353] The can filling and closing machinery feeds a mass of cans to the cartoner on a conveyor mechanism. [A289, pp. 1352-1353] The cartoner divides the mass of cans into predetermined numbers of cans for loading into cartons sleeves, which are normally made of paperboard. [A284, pp. 1321-1322; A277, pp. 1280-1281] After loading the cans, flaps on the carton sleeves are closed and glued shut. The closed cartons are then discharged from the cartoner. [A284, pp. 1321-1322]

The terms "two-stream" cartoner and "three-stream" cartoner are used throughout the record of this case. Thus, a certain amount of explanation as to the meaning of these terms is necessary for determining the issues in this case.

Riverwood, relying on the express language of Claims 1 and 13 of the '806 patent, uses these terms as a shorthand way to differentiate between two very different types of cartoners. A "two-stream" cartoner is a machine having two adjacent conveyors that function to load cans into one or both sides of an open-ended carton sleeve. [E.g., A524-A544; A495-A507; A517-A523] In other words, only two separate

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4. Though cartoners made according to the '806 patent may handle bottles, cans, etc., cans are used in the discussion of the machine.

and distinct conveyors are used to feed, select and load the cans, as well as to carry the open-ended carton sleeves which are loaded and subsequently discharged from the machine.[5] [A285, pp. 1324-1325; A1777] An example of a two-stream cartoner is the one shown in U.S. Patent No. 4,237,673 to Calvert. [A478-A485]

A "three-stream" cartoner, on the other hand, uses three separate and distinct conveyors that are placed adjacent to one another in a predetermined arrangement. [A284-A285, pp. 1319-1324; A290, p. 1359; A1778] Although Mead vigorously argued at trial that a cartoner having only two separate conveyors could be considered a "three-stream" cartoner, this view was rejected by the Special Master. Instead, the Special Master agreed with Riverwood that "a three-stream system" for purposes of this litigation is a system which has "three separate conveyors." [A36, CL ¶ 22]

At trial, Mead presented only one prior art cartoner reference showing a "three-stream system" — U.S. Patent No. 3,778,959 ("Langen '959"). [A457-A465] Langen '959, however, was cited to the Examiner by the applicants during prosecution of the '806 patent and was discussed as background in the '806 patent itself. [A413; A339, col. 1,

5. Most two-stream machines load from both sides, so that the machine has a symmetrical structure with two infeed conveyors located on opposite sides of a carton conveyor. [E.g., A478-A485] Other two-stream machines load from one side only. [E.g., A517-A523] Thus, for purposes of this case, the number of streams is determined by counting the number of conveying streams on one side of the machine only.

lines 53-62] Contrary to Mead's assertions that three-stream machines were "well known" (see, e.g., page 12 of Mead's Brief), there is no evidence that Langen '959 was "well known" or widely used in the industry. In fact, Langen '959 is the only three-stream cartoner described in the 24 prior art patents that were listed as exhibits for trial.[6]

B. *The '806 Patent*

Claims 1 and 13, the only claims at issue in this case, recite a cartoner in which three separate and distinct conveyors are used in combination with a barrel cam loader mechanism to load containers into open-ended carton sleeves. The articles are brought into the machine on an infeed conveyor having a plurality of article guide lane structures located above it. [A341, col. 5, lines 52-62] The guide lane structures are intersected by transversely fixed flight bars carried on a second conveyor. [A341, col. 5, line 66 through col. 6, line 26] The flight bars separate the cans into groups which will ultimately be loaded into the carton sleeves. [A341, col. 6, lines 18-26] The flight bar conveyor is part of the "article selecting conveyor" referred to in the '806 patent which is used to select the articles (typically cans) into groups having a predetermined number. The open-ended carton

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6. A machine referred to as an APV Douglas Continuous Wrap Machine was listed as an exhibit but was not urged at trial. This machine utilized a number of streams including a pin selector stream, a stream of buckets and a stream of flat wraps for encasing the groups of articles. A barrel cam loader was used to push the articles from the pin-selector groups into the buckets. Then, a second barrel cam loader was used to push the articles from the buckets into position for wrapping.

sleeves move along a third conveyor, referred to as a "carton supply conveyor," which is located adjacent and parallel to the article selecting conveyor. [A342, col. 7, lines 52-59] The can groups are pushed into open-ended carton sleeves by the barrel cam loader mechanism. [A342, col. 8, lines 33-45] The loaded cartons continue on the carton supply conveyor to a gluing station where the carton flaps are closed and glued and then finally to a discharge mechanism. [A341, col. 5, lines 26-30]

As Mead indicated in its Brief, the invention set forth in claims 1 and 13 of the '806 patent is embodied in Riverwood's Twin-Stack machine. [Mead's Brief, p. 6] As found by the District Court, and no longer disputed by Mead, the invention of claims 1 and 13 is also embodied in Mead's infringing DuoStack machine. [A9]

C. *The Prosecution History of the '806 Patent Demonstrates the Patentability of Claims 1 and 13*

According to Mead, the "only relevant inquiry" is whether it would have been obvious to substitute a barrel cam loader loading mechanism, such as that shown in U.S. Patent No. 4,936,077 ("Langen '077") [A517-A523], for the stationary guide rail loading structure shown in the three-stream machine of Langen '959.[7] [Mead's Brief, p. 7] Both a barrel cam loader and a stationary guide rail loading structure will ultimately load a plurality of cans into a carton

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7. Riverwood does not agree that this is the "relevant inquiry" as explained below in the Argument section of this Brief. The "relevant inquiry" is whether the invention, as a whole, would have been obvious to one of ordinary skill in the art. 35 U.S.C. § 103(a).

sleeve. However, as explained later, the two loading structures are very different both structurally and functionally. Because Langen '959 and Langen '077 were both of record during prosecution of the '806 patent, the propriety of this specific combination was undoubtedly considered by the Examiner. The Examiner found the invention of claims 1 and 13 to be patentable over these references and all other references of record.

1. *Summary of the Prosecution History*

Before the Examiner acted on the application resulting in the '806 patent, the applicants submitted an Information Disclosure Statement ("IDS") informing the Examiner of five prior art patents of which they were aware. [A410-A413] The five patents listed by the applicants on the PTO Form 1449 submitted with the IDS were: (1) Langen '959; (2) Calvert '673; (3) U.S. Patent No. 4,802,324 to Everson ("Everson '324") [A508-A516]; (4) Langen '077; and (5) U.S. Patent No. 5,036,644 to Lashyro ("Lashyro") [A545-A555]. Copies of the five references were also provided to the Examiner, in accordance with Patent Office requirements. [A410]

The Patent Office issued only one Office Action during prosecution of the application that resulted in the '806 patent. [A405-A408] The file history indicates that the Examiner performed a search of the prior art, as he is required to do. [A456] As a result of this search, the Examiner found other patents that he believed were relevant to the application. Those other patents are: (1) U.S. Patent No. 4,982,551 to Nigrelli ("Nigrelli '551") [A524-A544]; (2) U.S. Patent No.

5,072,573 to Tisma ("Tisma '573") [A556-A573]; (3) U.S. Patent No. 4,693,055 to Olsen, Jr. ("Olsen '055") [A495-A507]; (4) U.S. Patent No. 4,250,693 to Andersson ("Andersson '693") [A486-A494]; and (5) U.S. Patent No. 3,956,868 to Ganz ("Ganz '868") [A466-A477].

In the Office Action, the Examiner rejected some of the original claims as anticipated by Nigrelli '551, some of the original claims as anticipated by Olsen '055, and some of the original claims as anticipated by Calvert '673. In addition, original claims 13-15 were rejected under 35 U.S.C. § 103 as obvious over Nigrelli '551 in view of Langen '077. Likewise, original claims 18-20 were rejected as being obvious over Nigrelli '551 in view of Tisma '573. Although the Examiner did not use Langen '959 as a basis for rejecting the claims, the Examiner, by initialing each submitted reference listed on the PTO 1449 form, indicated that he had reviewed it and the other prior art submitted to the Patent Office by the applicants. [A413]

In the rejection of claims 13-15 as being obvious over Nigrelli '551 in view of Langen '077, the Examiner stated:

> It would have been obvious at the time applicant's invention was made to a person of ordinary skill in the art to provide the apparatus of Nigrelli, Sr., with cam-driven article pushers, as taught by Langen et al ['077] because that would provide a more positive transfer of the articles into the carton. [A407]

Appendix A

In response to the Examiner's rejections made in the Office Action, the applicants amended claim 1 and canceled claim 13.[8] [A418-A419; A421] In the amendment, the invention of the '806 patent was distinguished over the "references cited by the Examiner" on the basis of "particular structure for the article infeed means, article selecting means, carton supply means and the article group transfer means" and further on the basis that these "components be aligned in a particular orientation with respect to each other." [A425] The applicants distinguished the prior art on the basis that it did not show a "side loading mechanism" in combination with a three-stream device and that the addition of a "side loading mechanism" to any of the two-stream devices would still yield a "two-stream device." In making the distinguishing arguments, the applicants stated:

> Additionally, no combination of these references [referring back to Nigrelli '551, Calvert '673 and Olsen '055], or Langen ['077], Tisma, or the cited [by the Examiner] but unapplied art, fully meets the invention as now claimed in claim 1. For example, the addition of a side loading mechanism as shown in Langen ['077] to the basic two stream devices shown in Nigrelli, Olsen or Calvert ['673] would still yield a two stream device. None of the cited art [by the Examiner] shows or suggests a structure which selects raw infeed articles from a first stream, and then forms article groups in a

8. Amended claim 1 of the application eventually became claim 1 of the '806 patent and original claim 14 of the application became claim 13 of the '806 patent.

> second and distinct second stream prior to loading into a third stream of cartons. [A426 (explanatory terms as found by the Special Master added)][9]

The applicants also argued that "Claim 1, in addition to being free of any single reference, is also believed to be unobvious over the cited prior art as a whole" and that "amended independent Claims 1 and 22 and new Claims 23 and 24 are patentable over the art of record." [A426; A427]

After consideration of the amendments and arguments set forth in applicants' amendment, the Examiner withdrew the rejections and allowed the application, as amended, to issue as the '806 patent. [A429]

2. *The Most Relevant Prior Art Was Known to the Examiner During Prosecution of the '806 Patent*

The prosecution history shows that the Examiner considered a wide variety of references before determining that the claims of the '806 patent were patentable over the prior art. For example, the prior art considered by the Examiner shows various article loading devices. In some of

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9. Mead seems to argue in its Brief at page 19 that the '806 inventors misled the Examiner by "shift[ing] the Examiner's focus." In doing so, Mead attempts to equate the term "cited art" as used by the inventors' attorney as referring to all of the prior art of record. This was the main attack by Mead as to the issue of inequitable conduct, which was resolved in Riverwood's favor and is not on appeal. The Special Master found that use of the "cited art" term was not misleading, and that this term specifically did not include Langen '959. [A28, FF¶ 57; A29, FF¶¶ 61-62; A44 CL¶ 60]

these references, the individual articles are loaded by being directed along fixed guide rails into the open-ended carton sleeves. [E.g., A478-A485] In others, article groups are loaded by being pushed into the carton sleeve using a barrel cam loader mechanism. [E.g., A517-A523]

In addition, the prior art that was considered by the Examiner shows various article selecting mechanisms. Some of the references show the use of flight bars to form article groups [e.g, A517-A523], and some references use other techniques (such as pins or screws) to separate individual articles into groups. [A524-A544; A495-A507]

The prior art considered by the Examiner during prosecution of the '806 patent is summarized in the following Table.

Reference Name	3-Stream?	2-Stream?	Angled Guide	Barrel Cam Loader?	Flight Bar Selecting?	Year
Langen '959	X		X		X	1973
Ganz '868		X	X			1976
Calvert '673		X	X		X	1980
Andersson '693		X		X	X	1981
Olsen '055		X	X			1987
Everson '324[10]						1989
Langen '077		X		X	X	1990
Nigrelli '551		X	X			1991
Lashyro '644					X	1991
Tisma '573		X		X		1991

10. Everson '324 does not employ any of the listed mechanisms.

Appendix A

As the Table shows, all of the individual elements of patent claims 1 and 13 are shown in this prior art. In fact, Riverwood stipulated at trial that all of the individual elements of claim 1 were shown in two prior art references — Langen '959 and Langen '077. [A135, p. 433; A143, pp. 480-482] Those references, however, were considered by the Examiner in arriving at his conclusion of patentability.

D. *The Invention of the '806 Patent Achieves a Unique Cartoning Machine Having Many Advantages*

Like Mead's Brief, the Special Master's report contained no discussion of why one of ordinary skill in the art would be motivated to use a "three-stream" device in the first place. Langen '959, the only prior art reference urged by Mead that shows a three-stream cartoner, was also the oldest reference cited during the prosecution of the '806 patent. In addition, the three-stream concept used in Langen '959 apparently lost favor with one of its own inventors, Marinus Langen. Although Mr. Langen used a barrel cam loader in his later cartoning device (shown in Langen '077), he moved away from the three-stream concept to the common two-stream concept. [A517-A523]

The inventors of the '806 patent ultimately invented a cartoner utilizing a "three-stream" arrangement with a barrel cam loader. In arguing for invalidity, Mead would have this Court believe that a three stream cartoner was common and that the choice between using a barrel cam loader and an angulated guide is a "simple design choice" that is "regularly

made by carton designers". [Mead's Brief, p. 9][11] Nothing could be further from the truth.

Substantial evidence was presented at trial as to why someone of ordinary skill in the art would not be motivated to do what the '806 inventors did. For example, even if one were to choose to use a three-stream cartoner from among the prior art in evidence (which, with the exception of Langen '959, shows only two-stream or one-stream cartoners), replacement of the fixed guide rails with a barrel cam loader would result in a machine that:

1. is longer and wider;

2. has more moving parts;

3. is more difficult to maintain;

4. is more costly to build; and

5. is more complicated than a carton loader employing angled guides.

[A139-A140, pp. 458-460; A141-A142, pp. 471-473; A315, p. 1502] These disadvantages of adding a barrel cam loader in place of the fixed guide rails in the three-stream machine are important considerations to both machine designers who

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11. For this proposition, Mead cites the testimony of its engineer who designed Mead's infringing DuoStack machine. A simple review of that testimony [A149, pp. 513-14] fails to indicate any support for Mead's "simple design choice" statement.

design and build cartoners and to the customers who purchase the machines. [A155, pp. 546-551]

Despite these disadvantages, the invention of the '806 patent achieves a number of advantages, including:

1. Due to the use of three separate conveyors in conjunction with a barrel cam loader, Riverwood's Twin-Stack machine (i.e., the commercial machine admittedly embodying the '806 invention) is extremely flexible so that it can efficiently run various package configurations. [A291, pp. 1360-1363, A292, p. 1470]

2. In the resulting machine, cartons can be glued and closed on the same conveyor upon which the cartons are carried as they are loaded with articles. [A286, pp. 1331-1333] This ability to maintain control over the carton throughout the entire can loading, and filled carton-discharging process is important from a carton-handling standpoint. In addition, this feature, which is not possible with two-stream cartoners having a combined flight bar and carton conveyor such as the machine shown in Calvert '673 [A478-485], is a feature that is touted by Mead to its customers. [A152, pp. 531-32, A286, pp. 1332]

3. The resulting machine will typically take less time to change over between the running of various package sizes. [A285-A286, pp. 1329-1330]

4. The barrel cam loader can be designed (and has been in the Twin-Stack machines) to decrease the speed

of the loading head as it approaches the product group so that the initial contact between the head and the group is gentle and will not result in tipping or article damage. [A285, pp. 1328-1329]

5. The use of separate conveyors allows the speed of the infeed conveyor relative to the speed of the remainder of the machine to be increased. This allows for proper loading of cans into cartons at the industry-desired rates of speed. [A291, pp. 1363-65]

In the context of these advantages, the invention of the '806 patent becomes evident. The advantages result from the unique ***combination*** that the Examiner found to be patentable and that Mead found necessary to use in their infringing DuoStack machines.

E. *The Invention of the '806 Patent Has Been Commercially Successful*

Even though the Special Master concluded (erroneously) that there was *insufficient* nexus between the commercial success of the Twin-Stack machine and the invention of the '806 patent, the Special Master *did find nexus*.[12] [A27, FF¶52] In fact, commercial success by both the Riverwood and Mead machines that embodied the '806 patented invention was well-documented during the trial of this matter.

For example, the record showed that Riverwood has leased 100 Twin-Stack machines to customers. [A277,

12. Mead erroneously states that the Special Master found no nexus. [Mead's Brief, p. 22]

p. 1278] In addition, Mead has leased approximately 33 DuoStack machines. [A277, p. 1278] In many cases, both the Twin-Stack and DuoStack machines replaced prior art two-stream Mead DuoDozen machines in customers' facilities. [A1655-A1666; A1856, pp. 182-84]

Gordon Wilkinson, a Riverwood corporate officer who had been in the packaging industry since 1967, testified that the Twin-Stack machine was "the single-most-important innovative packaging system that [he had] ever seen in the industry." [A275, p. 1269; A277, p. 1278] Mr. Wilkinson explained that in 1992, prior to commercialization of the Twin-Stack machine, Riverwood's annual gross sales in the soft drink industry totaled $64 million and in the beer industry totaled approximately $137 million. [A277, p. 1279] By 1996, after introduction of the patented Twin-Stack machine, Riverwood's revenues from the soft drink industry had almost tripled to approximately $157 million and in the beer industry had nearly doubled to $243 million. [A277, p. 1279] Because of the Twin-Stack machine, Riverwood's production of paperboard (for making the cartons to be run on its cartoning machines) had increased from approximately 112,000 tons per year in 1992 to 204,000 tons at the time of trial. [A277, p. 1279]

The importance of the invention embodied in the Twin-Stack machine is further supported by the dramatic growth in market share enjoyed by Riverwood after the Twin-Stack machine was introduced. For example, before Riverwood began leasing Twin-Stack machines in 1992, Riverwood's market share in the U.S. soft drink industry was approximately 30-31 percent. [A278, pp. 1282-83]

By 1996, that market share had increased to approximately 48-49 percent. [A278, p. 1283] By the time of trial in October 1997, that market share had further increased to approximately 52-53 percent. [A278, p. 1283] Pepsi-Cola was so impressed by the patented three-stream Twin-Stack machine that Riverwood's U.S. market share with this one customer jumped from approximately 10 percent to approximately 80-82 percent. (A278, p. 1282]

F. *The District Court's Order*

As discussed above, the Judgment in this case is based on an Order [A1-A8] issued by the District Court after hearing the parties' objections to the Special Master's report. Contrary to Mead's arguments, the analysis set forth in the Order is very clear and correctly concludes that claims 1 and 13 of the '806 patent were not proven to be invalid.

The Order begins by noting that factual findings of the Special Master must be accepted unless they are clearly erroneous. Because none of the factual findings were found to be clearly erroneous by the District Court, they were accepted.[13] [A3] The District Court then recognized that the

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13. Riverwood does believe that a number of the Special Master's factual findings are clearly erroneous and most of those erroneous findings are discussed herein. However, Riverwood believes that, even under the facts as found by the Special Master, claims 1 and 13 of the '806 patent have not been proven invalid. As this Court has often said, it "sits to review judgments, not opinions." *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540, 218 U.S.P Q. 871, 880 (Fed. Cir. 1983). Here the judgment finding that the '806 patent has not been proven invalid is the correct outcome, despite any errant findings of fact.

issue of obviousness is a question of law for which no such deference is due. [A3-A4]

The District Court began by discussing the prosecution history of the '806 patent. The District Court explained that the Patent Examiner, in rejecting original claim 1, believed that the use of a barrel cam loader as applied to a two-stream device was obvious. [A5] The District Court contrasted this with the Examiner's finding that a barrel cam loader as applied to the three-stream device set forth in amended claim 1 was not obvious. [A5]

The District Court further stated that Mead's evidence of substituting a barrel cam loader for an angulated guide-rail structure "did not involve a three-stream" device. [A5] Thus, "[t]he critical issue then became whether that step [of substituting a barrel cam loader for an angulated fixed guide in a three-stream loader] also would have been obvious to a person of *ordinary* skill in the art." [A5-A6] (emphasis in original) The Court specifically rejected the Special Master's conclusion that "the obviousness of substituting a barrel cam loader would be as apt for a three stream cartoner as a two stream cartoner." [A6-A7] The Court found insufficient evidence on this critical issue to support a conclusion that claims 1 and 13 of the '806 patent had been proven invalid by clear and convincing evidence. [A7]

SUMMARY OF THE ARGUMENT

Mead's arguments against validity of the '806 patent avoid the real issue in this case — whether one of ordinary skill in the art would have been motivated by the prior art to

first choose a three-stream cartoner from among the various prior art references and to then modify the only three-stream cartoner among the prior art by replacing angled guides with a barrel cam loader. Instead, Mead attempts to lead this Court away from that real issue by arguing that the District Court did not understand and did not properly apply the clear and convincing evidence standard. Mead says that it was required to meet the clear and convincing standard twice — first on its factual proofs and then on its legal burden.

However, a close reading of the District Court's Order makes clear that the Judge understood and applied the correct standard in assessing the evidence presented at trial. The District Court carefully reviewed the evidence presented and the factual findings found by the Special Master and determined that the Special Master's conclusion that obviousness would be as "apt" in the claimed three-stream cartoner as it was in the context of a two-stream cartoner was not proper in light of the clear and convincing evidence standard. Instead, the District Court recognized, as did the Patent Examiner who issued the '806 patent, that although the use of a barrel cam loader in a two-stream cartoner was shown in the prior art, there had been no clear and convincing showing that one of ordinary skill in the art would be motivated to employ a barrel cam loader in a three-stream device. This was a proper application of the correct legal standard.

Contrary to Mead's arguments, Riverwood's stipulations admitting that all elements of the '806 patented invention were present in the prior art, and in fact were contained in two prior art references — the Langen '959 and the Langen

'077 patents — does not mean that the claimed invention is obvious. It merely means that, like most inventions, the '806 patented cartoner "could" have been made by taking pieces of the prior art and putting them together in one device. However, to say that an invention *could* have been made is not the same as saying that an invention *would* have been made by one of ordinary skill in the art when the art is considered as a whole. Mead would have this Court declare a valuable patent invalid based on this improper "could have made" standard.

In addition, Mead, like the Special Master, believes that the Patent Examiner simply missed the Langen '959 three-stream cartoner patent when allowing the '806 patent to issue. This belief flies in the face of case law holding that an Examiner is presumed to do his or her job, which includes the consideration of the art of record, particularly when, as here, the Examiner actually indicates that the reference was considered.

The Examiner clearly knew what he was doing here. He realized that he was considering the patentability of a three-stream cartoner that utilized a barrel cam loader. He also knew that, like Riverwood admitted in its stipulations, the prior art before him had all the elements of the claimed invention. In addition, he presumedly understood that just two references, the Langen '959 patent and the later Langen '077 patent, actually disclosed all of the elements. But then, he likely recognized that the specification of the earlier Langen '959 three-stream cartoner patent actually discourages the use of a barrel cam loader and describes angled guides as an "improvement" over barrel cam

loading-type devices. He obviously believed, as the District Court concluded, that although the prior art showed two-stream cartoners with barrel cam loaders, the use of a barrel cam loader in a three-stream cartoner would not have been an obvious choice for a cartoning machine based on the prior art as a whole.

While the Examiner had only the prior art to consider, the District Court, and now this Court, has the benefit of real world facts that further support the nonobviousness of the '806 invention. For example, both Riverwood and Mead considered several alternative designs before arriving at the ultimate designs which both, admittedly, embody the '806 invention. Riverwood considered three alternative two-stream designs and Mead considered at least five different designs. This should be substantial evidence that cuts against a finding of obviousness. However, Mead attempts to use Riverwood's development of the '806 invention against Riverwood by arguing that the fourth and final three-stream/barrel cam loader design was the only combination that had not been tried and that some of the other designs were dropped due to non-technical reasons. Even if it were true that the invention was the only remaining combination (which it was not) and that Riverwood had dropped all three earlier designs for reasons other than operational considerations (which it did not), Mead is statutorily prohibited from using Riverwood's invention development process to negate the '806 invention. There is no similar statutory prohibition, however, against considering the development process in Riverwood's favor to support patentability. Thus, this real world evidence supports upholding the District Court's Judgment.

Appendix A

In addition, this Court now has the benefit of considering what happened in the marketplace after the machines embodying the '806 invention were introduced. Since its introduction, Riverwood has leased 100 of its Twin-Stack machines and Mead has leased 33 of its infringing DuoStack machines. These machines, which typically cost several hundred thousand dollars each, have replaced a number of prior art machines in bottling/canning facilities. These machines, which have been described as the "single-most-important innovative packaging system" in the industry in more than 30 years, allowed Riverwood to increase its market share in the soft drink industry from approximately 30 percent to approximately 50 percent. In addition, these machines allowed Riverwood's revenue from the soft drink industry to nearly triple (to $157 million) and from the beer industry to nearly double (to $243 million).

While the Special Master did find nexus between the '806 patent and Riverwood's Twin-Stack machine but found that it was "insufficient", Riverwood believes that this finding is clearly erroneous and was based on an incorrect understanding of the law. The Special Master found sufficient nexus lacking because four other Riverwood patents showed features of the Twin-Stack machine and because the Twin-Stack machine was not the sole source of the commercial success. However, the fact that other patents show features of a commercial successful machine does not prevent a finding of sufficient nexus. In addition, ample testimony was presented at trial to show that the advantages of the Twin-Stack machine realized by customers were based directly on the use of the claimed three-stream cartoner with a barrel cam loader. Moreover, even if some of the

commercial success was due to the package design as Mead argues, the law does not require that the patented device be *solely* responsible for all of the commercial success.

Not to be discounted here is also the fact that Mead copied Riverwood's patented Twin-Stack machine. Although the Special Master recognized that the circumstances "would tend to support evidence of copying," he found that there was "no evidence that the Mead DuoStack was a copy of the Twin-Stack machine." The Special Master obviously required direct evidence of copying before allowing this secondary consideration to be found. The case law, however, allows copying to be proven by circumstantial evidence.

ARGUMENT

As this Court has stated many times, patents are born valid. "When, as here, the sole challenge is an allegation of obviousness, the presumption is that the invention would not have been obvious." *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561, 1570, 1 U.S.P.Q.2d 1593, 1599 (Fed. Cir. 1987). In order to prevail, the challenger must prove invalidity of the relevant claims by clear and convincing evidence. *The Gillette Co. v. S.C. Johnson & Son, Inc.*, 919 F.2d 720, 722, 16 U.S.P.Q.2d 1923, 1926 (Fed. Cir. 1990). In this case — as the District Court correctly found — Mead failed to meet this considerable burden.

A. *The District Court Applied the Correct Legal Standard*

The cornerstone of Mead's attack in this appeal is an erroneous assumption that the District Court somehow

"stumbled" over the meaning and application of the statutory presumption of patent validity. Mead argues that the District Court required Mead to meet two clear and convincing thresholds. First, Mead says the District Court found that facts supporting obviousness had been proved by clear and convincing evidence. Then, says Mead, the District Court subjected the legal conclusion of obviousness to a second clear and convincing threshold. [Mead's Brief, p. 26] The text of the District Court's Order, however, clearly shows that the District Court properly considered the evidence against the appropriate standard.

Citing *Graham v. John Deere*, 383 U.S. 1, 148 U.S.P.Q. 459 (1965), the District Court noted that the ultimate determination of obviousness is one of law based on underlying factual determinations. [A3-A4] The Examiner, noted the District Court, had determined that the combination of a barrel cam loader with a three-stream device would not have been obvious. [A5] Thus, to overcome the presumption of validity, the evidence needed to show clearly and convincingly that this specific combination would have been obvious.

The Special Master never addressed in his Report the critical issue of whether the substitution of a barrel cam loader for an angulated guide in a three-stream cartoner would have been obvious, as whole, to one of ordinary skill in the art. Instead, the Special Master merely concluded that "the obviousness" would be "as apt" in a three-stream cartoner as in a two-stream cartoner. [A7] The District Court determined, however, that the *evidence* on the critical issue of employing a barrel cam loader in a three-stream cartoner was simply not clear and convincing. [A7] This was a proper application of the correct legal standard.

Appendix A

B. *The Invention Would Not Have Been Obvious to One of Ordinary Skill in the Art*

Despite the fact that Mead found the invention important enough to use in its 33 DuoStack machines, Mead argues that claims 1 and 13 would have been obvious in view of two references that were considered by the PTO during prosecution of the '806 patent. Mead's argument, like the Special Master's decision, fails to give proper deference to the Patent Examiner. Instead, Mead contends that this Court should look to how the invention was made, consider additional prior art showing certain "key pieces of information," and disregard the secondary considerations that were shown by the evidence. In addition, Mead relies heavily on Riverwood's stipulations at trial that all of the elements of the claimed invention were present in the prior art.

In this case, the evidence simply does not support Mead's position. The primary references that Mead asserts as rendering the '806 patent invalid — Langen '959 and Langen '077 — were actually considered by the Examiner. In addition, all of the examples cited by Mead (and the Special Master) to show the use of a barrel cam loader are two-stream cartoning machines. These include the Langen '077 patent, the LeBras '139 patent, and the Pillsbury machine. All of these two-stream machines came about long after the three-stream Langen '959.[14]

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14. Moreover, as with many of the other factual findings, the Special Master merely concluded that the operation of the Pillsbury machine was "evidence" and not "clear and convincing" evidence. [A23, FF¶ 36] In fact, at the time of the '806 invention, the Pillsbury machine was no longer utilizing a barrel cam loading-type device to load individual cans into cartons. [A1457-A1459; A1464-A1466]

Appendix A

The cases that Mead cites do not support their position either. *Ryko Mfg. Co. v. NuStar, Inc.*, 950 F.2d 714, 21 U.S.P.Q.2d 1053 (Fed. Cir. 1991), for example, is easily distinguishable from the present case. The claim at issue in *Ryko* was directed to the combination of a "common" automatic car wash system and a keypad activation device. The keypad activation device was used in lieu of a mechanical coin box utilized in the prior art. Unlike *Ryko*, there is no evidence in this case that the three-stream cartoner of Langen '959 was "common." In addition, equipping the three-stream system cartoner of Langen '959 with a barrel cam loader mechanism would be far more involved than merely substituting a new activation device for an old one, and would result in an entirely new machine. If this were not the case, both Riverwood and Mead would have immediately gone to their ultimate three stream/barrel cam loader designs instead of first going through all the various alternative machines as described below. Presumably, it was not necessary to make any mechanical modifications to the actual car wash equipment in *Ryko* in order to substitute a keypad activation device for a coin box activation device.

Here, the prior art as a whole had clearly moved away from the concept of a three-stream device. The inventors of the '806 patent did not merely use a barrel cam loader, but also employed a three-stream concept that was out of favor in the art. The prior art must suggest the desirability of making the *combination* in order for the patent claims to be held invalid. *Alco Standard Corp. v. Tennessee Valley Authority*, 808 F.2d 1490, 1498, 1 U.S.P.Q.2d 1337, 1343 (Fed. Cir. 1986). Neither the original prior art considered by the Examiner nor the cumulative prior art advanced by Mead provides the necessary suggestion.

Moreover, it is *irrelevant* to the obviousness inquiry that "all of the elements of an invention may have been old (the normal situation), or some old and some new, or all new." *Environmental Design, Ltd. v. Union Oil Co.*, 713 F.2d 693, 698, 218 U.S.P.Q. 865, 870 (Fed. Cir. 1983). "Casting an invention as 'a combination of old elements' leads improperly to an analysis of the claimed invention by the parts, not by the whole." *Custom Accessories Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 959, 1 U.S.P.Q.2d 1196, 1198 (Fed. Cir. 1986). "Focusing on the obviousness of substitution and differences, instead of on the invention as a whole, is a legally improper way to simplify the often difficult determination of obviousness." *Gillette Co.*, 919 F.2d at 724, 16 U.S.P.Q.2d at 1927.

1. *Langen '959 Discourages One Of Ordinary Skill in the Art From Making the Claimed Invention*

Mead confuses the relevant inquiry by arguing that Langen '959 "itself indicated that a barrel cam loader could be used with a cartoner." [Mead's Brief, p. 37] Riverwood does not dispute that a barrel cam loader *could* be used with "a cartoner," because barrel cam loaders were shown in at least three of the cartoner patents considered by the Examiner during prosecution of the '806 patent.[15] Instead, the issue is whether the specific combination set forth in claims 1 and 13 *would* have been obvious, as a whole, to one of ordinary skill in the art.

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15. The patents showing barrel cam loaders included Andersson '693 [A486-A494], Langen '077 [A517-A523], and Tisma '573 [A556-A573].

Appendix A

Contrary to Mead's position, Langen '959 would actually lead one of ordinary skill the art away from the arrangement of claims 1 and 13. The specification of Langen '959 contrasts its machine with prior art machines that employed a "complex escalator type mechanism" (which is equivalent to a barrel cam loader). [A460, col. 1, lines 46-60] Langen '959 explains that "[t]he use of stationary guide rails to guide the containers transversely of the conveyor also provides a substantial improvement over the elaborate escalator devices previously employed." [A463, col. 7, lines 26-29]

Where the closest prior art reference would "likely discourage the art worker from attempting the [suggested] substitution," substantial evidence of nonobviousness is provided. *The Gillette Co.*, 919 F.2d at 724, 16 U.S.P.Q.2d at 1927; *see also In re Fine*, 837 F.2d 1071, 1074, 5 U.S.P.Q.2d 1596, 1599 (Fed. Cir. 1988) (claim not invalid where primary reference "warns against rather than teaches" the claimed invention). Even if not considered a "teaching away" in the strict sense, "conventional wisdom that a combination should not be made is evidence of unobviousness." *Arkie Lures Inc. v. Gene Larew Tackle Inc.*, 119 F.3d 953, 958, 43 U.S.P.Q.2d 1294, 1297 (Fed. Cir. 1997); *see also Monarch Knitting Mach. v. Sulzer Morat GmbH*, 139 F.3d 877, 885, 45 U.S.P.Q.2d 1977, 1984 (Fed. Cir. 1998) (general skepticism of those in the art is relevant and persuasive evidence of nonobviousness).

In re Gurley is not to the contrary. This Court in *Gurley* recognized that "teachings away" are "significant factor[s]" for consideration in obviousness determinations when the "nature of the teaching" so dictates. *In re Gurley*, 27 F.3d

551, 553, 31 U.S.P.Q.2d 1130, 1132 (Fed. Cir. 1994). Here, the nature of the teaching from Langen '959 is that barrel cam loading-type mechanisms had been employed previously in two-stream cartoners and Mr. Langen invented a new cartoner (three-streams) which employed an improved angulated guide. This indicates that one looking to develop another three-stream cartoner would be discouraged from using a barrel cam loading mechanism. In addition, in *Gurley*, the Court recognized that Gurley's invention did not offer "improved properties". *Id.* Here, in contrast, numerous improvements result from the combination of a three-stream cartoner and a barrel cam loader.

Rather than following the applicable precedent, the Special Master concluded that statements in Langen '959 teaching against the use of a barrel cam loader are "a recognition of the obviousness of a barrel cam loader not evidence of unobviousness." [A40, CL¶38] This is simply a misinterpretation of the statements in Langen '959.

2. *Mead's Additional "Key Information" Is Merely Cumulative to the Art of Record*

Mead argues at page 20 of its Brief that the Examiner did not have "the benefit of several key pieces of information." The first two "key pieces of information," however, relate to stipulations made at trial by Riverwood about what Langen '959 teaches and about the resulting structure formed from a combination of Langen '959 and Langen '077. The remaining "key pieces of information" relate to art that was not before the Examiner, but there is no finding in the record of this case that the additional prior

art is more relevant than the art that was considered by the Examiner.

In order to ease the burden on the challenger to validity, any new prior art advanced in litigation must be *more pertinent* than the prior art that was considered by the PTO. *W.L. Gore & Assoc. v. Garlock, Inc.*, 721 F.2d 1540, 1553, 220 U.S.P.Q. 303, 313 (Fed. Cir. 1983). There has been no finding, and Mead cannot reasonably argue, that the "key information" is more relevant than the Langen '959 patent and the Langen '077 patent.

Mead finds remarkable Riverwood's stipulation that Langen '959 is a three-stream device having elements a through c of claim 1. Mead also attempts to make hay of Riverwood's stipulation that, if the barrel cam loader of Langen '077 were substituted for the angulated guide structure of Langen '959, the resulting arrangement would have all the claim elements.

These are not "remarkable" statements. "Virtually all inventions are combinations and virtually all are combinations of old elements." *Environmental Design, Ltd.*, 713 F.2d at 698, 218 U.S.P.Q. at 870. Riverwood's stipulations merely recognize that fact. In addition, because Langen '959 and Langen '077 were considered by the Examiner, it is presumed that he already knew the substance of the facts admitted by these stipulations. *See Applied Materials, Inc. v. Advanced Semiconductor Materials*, 98 F.3d 1563, 1569, 40 U.S.P.Q.2d 1481, 1485 (Fed. Cir. 1996), *cert. denied*, 520 U.S. 1230 (1997).

The third and fourth "key pieces of information" relate to prior art that was not before the Examiner when the '806 application was allowed. Mead is not relying on these additional references as forming the basis of an obvious combination, only as allegedly providing a teaching to combine Langen '959 and Langen '077. The record shows no basis for holding that this information is more material than the prior art of record during prosecution of the '806 patent, and the Special Master did not find that they were. Instead, the Special Master erroneously stated that the mere "existence" of prior art not considered by the Examiner made the challenger's burden easier to meet. [A38, CL¶32] *See W.L. Gore*, 721 F.2d at 1553, 220 U.S.P.Q. at 313 (requiring that the art presented at trial must be more pertinent than that considered by the PTO in order to ease the challenger's burden).

The additional prior art relied upon by Mead, i.e., LeBras '139 and the Pillsbury machine, both show two-stream cartoners where a barrel cam loader (or an equivalent escalator) has been employed. These references still lack the teaching that one of ordinary skill in the art at the time of the invention would have employed a cartoner having three-streams and a barrel cam loader. They are simply a teaching that a barrel cam loader could be utilized in a two-stream cartoner when an angled guide would not work properly to obtain the desired package. They do not suggest that one of ordinary skill the art would have chosen a three-stream cartoner to begin with and then equip it with a barrel cam loader.

Mead's other argument that "LeBras '139, which cited Calvert EPO '333, effectively disclos[ed] a three-conveyor

cartoner using a barrel cam loader" [Mead's Brief, p. 20] is apparently based on the Special Master's conclusion that the reference to Calvert EPO '333 in the background portion of LeBras '139 "would result in a three-stream system cartoner." [A38, CL¶30] This is wrong. Both Calvert EPO '333 and LeBras '139 are two-stream cartoners. In addition, there is no disclosure in LeBras '139 as to how a "third-stream" could fit into the LeBras '139 machine design.

The District Court properly recognized that the Examiner already believed the use of a barrel cam loader in a two-stream cartoner would have been obvious. [A5] It is hard to see how additional prior art showing this same thing would have made a difference.

In addition, Mead argues that the invention must be held obvious based on certain testimony of Mr. Thomas, Riverwood's technical expert. While Mr. Thomas did state that barrel cam loaders might be favored in certain instances, Mr. Thomas testified unequivocally that the *combination* of claims 1 and 13 would not have been obvious. [A311, p. 1484]. Thus, Mead's reliance on his testimony to support a finding of obviousness does not rise to the level of clear and convincing evidence.

Mead also contorts the holding of *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 37 U.S.P.Q.2d 1314 (Fed. Cir. 1996) in trying to find arguments for invalidating the '806 patent based on Mr. Thomas' statements. In *B.F. Goodrich*, the "inventor himself agreed, if [his inventive] thick/thin [disc brake] arrangement makes sense for an overhaul, it would seem to be logical to adopt it

ab initio". *B.F. Goodrich*, 72 F.3d at 1583, 37 U.S.P.Q.2d at 1319. In light of that admission, the invention was held to be obvious over a single reference showing the utilization of the thick/thin arrangement in a brake overhaul application. Unlike *B.F. Goodrich*, there is no evidence in this case that a barrel cam loader was ever utilized in any three-stream cartoner and there was certainly no admission of obviousness by any of the inventors.

3. *The Patent Office Found Claims 1 and 13 of the '806 Patent to be Unobvious To One of Ordinary Skill in the Art*

As discussed in detail above, the file history of the '806 patent shows that each of the individual elements set forth in claims 1 and 13 was disclosed in references before the Examiner. Among the references before the Examiner were the two patents — Langen '959 and Langen '077 — that form the basis of Mead's appeal and which Mead says "suggest the very substitution made by [the '806 patent applicants] in the '806 patent." [Mead's Brief, p. 11] Having reviewed all the prior art of record, the Examiner determined that the claimed combination would not have been obvious to one of ordinary skill in the art, even over Langen '959 and Langen '077.

The Examiner's decision to grant the '806 patent application is "evidence the court *must consider* in determining whether the party asserting invalidity has met its statutory burden by clear and convincing evidence." *Custom Accessories*, 807 F.2d at 961, 1 U.S.P.Q.2d at 1200 (quoting *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132,

1139, 227 U.S.P.Q. 543, 548 (Fed. Cir. 1985)) (emphasis added). This "presumption of administrative correctness of actions of the agency charged with examination of patentability" was ignored by the Special Master and is being avoided now by Mead. *See Applied Materials, Inc.*, 98 F.3d at 1569, 40 U.S.P.Q.2d at 1485. The District Court understood the implications of the Examiner's decision to issue the patent. As obviously also recognized by the District Court, the challenger's burden is *especially difficult* where one seeks to invalidate a patent based on prior art that was before the examiner during prosecution of the underlying patent application. *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1467, 15 U.S.P.Q.2d 1525, 1527 (Fed. Cir. 1990).

Because all of the elements of claims 1 and 13 were present in prior art references considered by the Examiner, the prosecution history of the '806 patent is powerful evidence against Mead's position that it would have been obvious to substitute the barrel cam loader of Langen '077 for the stationary angled guide rails in the three-stream Langen '959 device when considering the prior art as a whole.

In reaching his erroneous conclusion that claims 1 and 13 were invalid for obviousness, the Special Master speculated that the Examiner simply did not review Langen '959 at the time the '806 application was allowed. [A27, FF¶51] In so doing, the Special Master overstepped the bounds of controlling authority and improperly substituted his own judgment for that of the Examiner. The lack of an express indication that a reference was again reviewed at the time of allowance does not mean that it was not so

reviewed. *In re Portola Packaging, Inc.*, 110 F.3d 786, 790, 42 U.S.P.Q.2d 1295, 1299 (Fed. Cir. 1997); *see also Windsurfing Int'l, Inc. v. AMF Incorporated*, 782 F.2d 995, 998-99, 228 U.S.P.Q. 562, 564 (Fed. Cir. 1986) (as a qualified government agency, the PTO is presumed to do its job even without an express statement that a particular point was considered). If the reference was before the Examiner, it must be presumed that he or she reviewed the reference before deciding to allow the claims. *Portola Packaging*, 110 F.3d at 790, 42 U.S.P.Q.2d at 1299.

The Special Master's substitution of his own judgment for that of the Examiner without deference to the clear and convincing standard was legal error.[16] The Special Master ignored substantial evidence that cut against the conclusion of invalidity that he ultimately reached.

4. *It is Improper to Use Development of an Invention as Evidence of Obviousness*

Perhaps recognizing the weakness of its case, Mead devotes considerable space in its Brief to a discussion of the manner in which the '806 invention came about. [Mead's Brief, pp. 15-18] Mead asserts that the several different designs considered by the inventors are, somehow, evidence that the claimed invention would have been obvious. In so

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16. Even Mead does not go so far as the Special Master in presuming that the Examiner did not review Langen '959. Instead, Mead argues that the Examiner did not have the benefit of certain "key pieces of information." [Mead's Brief, p. 20] As discussed herein, all of this "key" information is merely cumulative to what the Examiner did consider.

doing, Mead perpetuates the legal error committed by the Special Master, who also used the way the '806 patented invention was made to negate validity. [A23 FF¶35; A38 CL¶31]

The last sentence of 35 U.S.C. § 103(a) states: "Patentability *shall not* be negatived by the manner in which the invention was made." (emphasis added) This statutory principle recognizes that "[m]ost technological advance is the fruit of methodical, persistent investigation." *In re Dow Chemical Co.*, 837 F.2d 469, 472, 5 U.S.P.Q.2d 1529, 1531 (Fed. Cir. 1988). As such, "[t]he invention must be viewed not with the blueprint drawn by the inventor, but in the state of the art existed at the time." *Interconnect Planning*, 774 F.2d at 1138, 227 U.S.P.Q. at 547. It is strictly improper to look to the knowledge gained as a result of the inventor's work, and then use that knowledge against its teacher. *Panduit Corp. v. Dennison Mfg. Co.*, 774 F.2d 1082, 1092, 227 U.S.P.Q. 337, 343 (Fed. Cir. 1985), *vacated on other grounds*, 475 U.S. 809 (1986).

While evidence regarding the way an invention came about cannot be used to "negative" an invention, there is no similar statutory restriction against using such evidence in support of an invention. Here, at least three prior and structurally different cartoners were seriously considered before the claimed invention was conceived.

The initial design was a *two*-stream machine utilizing fixed guide rails. [A99, pp. 218-19; A1014; A1793, pp. 34-35] Minnesota Automation, Riverwood's predecessor-in-interest, decided not to sell this machine due to concerns

that it might infringe Mead's Calvert '673 patent. [A106, pp. 259-60; A1796, p. 50]

The second design that was developed was also a *two*-stream structure, utilizing an infeed conveyor with flight bars cammed in from both sides to separate the articles into groups and using an angled guide rail to plow the articles into the carton from both sides. [A98-A99, pp. 214-217; A1733] This design was abandoned due to its complexity and cost, not because of any patent infringement concerns. [A99, p. 222]

The third design was also a *two*-stream structure utilizing cammed-in flight bars and a barrel cam loader. [A99, pp. 219-20; A1019] After Minnesota Automation became aware of Langen '077, it chose to steer clear of any potential infringement issue and decided not to sell this particular design. [A99, p. 220]

The machine set forth in claims 1 and 13 of the '806 patent was thus the fourth design conceived by the inventors and was the first and only machine that employed three streams.[17] [A99, p. 219] Contrary to Mead's improper argument, the development of the '806 invention is actually evidence of its nonobviousness. In a real world scenario,

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17. Mead says that this fourth design was the "only remaining combination". [Mead's Brief, p. 18] No support exists for this statement in the record at trial. For example, flight bars are not the only means that can be used for selecting articles into groups — Nigrelli '551 utilizes pins to perform this selection. [A534-A536, col. 8, line 63 through col. 11, line 3] Moreover, in making this statement, Mead does not account for all of the various iterations that could have been made to cartoning machines.

Riverwood's own designers did not initially adopt the ultimate patented design, but made several attempts to provide the market with a suitable machine.

Irrespective of what happened at Riverwood, the evidence showed that Mead also considered and abandoned several alternatives before arriving at its ultimate commercial embodiment which infringed the '806 patent. At Mead, there were many "different things that were thought about, toyed over, either looked further into or just passed over." [A150, p. 520] Numerous different designs were considered before deciding on the design of the DuoStack machine. [A1935, p. 41] Among the designs considered, but not adopted, by Mead included (1) modifying Mead's existing two-stream DuoDozen machine;[18] [A150, p. 521; A1935-A1936, pp. 41-42] (2) using a vacuum system to lift one layer of cans and deposit them on top of another layer of in-line cans instead of using the article selecting conveyor; [A151, p. 522; A1936, pp. 43-44] (3) using a vacuum system to lift and deposit one group of cans on another group beside the first group instead of using the article selecting conveyor; [A151, p. 523] (4) using a cluster-pack arrangement instead of pushing individual cans into open carton sleeves (this is basically what is shown, at least in part, on the Pillsbury machine); [A151, pp. 523-524; A1936, p. 42] and (5) a proposal by Mr. LeBras, a French engineer employed by Mead, who was concerned that Mead not "follow what RIVERWOOD is doing." [A1635-A1637; A1704, p. 47 (emphasis added)]

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18. The DuoDozen machine is the commercial embodiment of the machine shown in Calvert '673. [A157, pp. 562-563]

Instead of using one of these alternative machines, Mead chose to adopt a machine that infringed Riverwood's '806 patent. By completely disregarding this evidence, the Special Master again committed legal error.

5. *The Special Master Improperly Discounted Riverwood's Substantial Evidence of Secondary Considerations*

When present, evidence that the invention was commercially successful, or solved a long-felt but unsolved need, or was copied, or that others had attempted to create the invention but failed, must be considered in determining the obviousness of an invention. *Custom Accessories*, 807 F.2d at 960, 1 U.S.P.Q.2d at 1199. In addition, the replacement of prior art machines by the invention can also be considered in determining the obviousness of an invention. *Kansas Jack v. Kuhn*, 719 F.2d 1144, 1150, 219 U.S.P.Q. 857, 861 (Fed. Cir. 1983). These real-world factors "can be the most probative evidence of nonobviousness in the record." *Custom Accessories*, 870 F.2d at 960, 1 U.S.P.Q.2d at 1199.

In this case, the Special Master improperly considered the issue of obviousness separate and apart from, and *before*, the secondary considerations were considered. [A42, CL¶¶ 48-50] Once the Special Master had decided that the invention would have been obvious, he then looked to the secondary considerations to determine if they would "overcome" his conclusion. [A42, CL¶ 50] In doing so, the Special Master showed a fundamental misunderstanding of the law governing secondary considerations.

> [T]he determination of obviousness, *vel non*, requires that all of the evidence be considered *together*. . . . The objective evidence of unobviousness is not evaluated for its "separate knockdown ability" against the "stonewall" of the prima facie case, *In re Rinehart*, 531 F.2d 1048, 189 USPQ 143 (CCPA 1976), but is considered *together with all other evidence*, in determining whether the invention as a whole would have been obvious to a person of ordinary skill in the field of the invention.

Applied Materials, 98 F.3d at 1570, 40 U.S.P.Q.2d at 1486 (emphasis added). Once again, the Special Master committed legal error in evaluating the obviousness of the claimed invention.[19]

While the ultimate result of the Special Master's error was corrected by the District Court's Judgment, Riverwood believes that this error may have caused the District Court to improperly discount the substantial evidence of secondary considerations. If this Court decides that the District Court misapplied the clear and convincing standard, then Riverwood believes that at least the following factual findings should have been made by the Special Master.

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19. Mead's Brief includes this same faulty analysis in that it addresses the issue of secondary considerations after arguing that the invention would have been obvious, rather than considering such evidence as part of the obviousness inquiry. [Mead's Brief, p. 43]

a. *Riverwood Proved a Sufficient Nexus Between the Merits of the Invention and the Invention's Enormous Commercial Success*

For commercial success to be relevant to the obviousness determination, a patentee must establish a nexus between the claimed invention and the commercial success. *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1579, 42 U.S.P.Q.2d 1378, 1384 (Fed. Cir. 1997). A "nexus" is a "legally and factually sufficient connection between the proven success and the patented invention." *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392, 7 U.S.P.Q.2d 1222, 1226 (Fed. Cir.), *cert. denied*, 488 U.S. 956 (1988). The patent owner establishes a prima facie case of nexus by showing that the patented machine is commercially successful, and that it is covered by the patent claims in suit. *Id.*

Riverwood established a prima facie nexus in this case. The Twin-Stack machine has been commercially successful, and the Twin-Stack machine is admittedly covered by claims 1 and 13 of the '806 patent. [A27, FF¶52] In addition, the Special Master acknowledged that at least part of the commercial success of Riverwood's Twin-Stack project was due to the machine itself.[20] [A27, FF¶52] Because the Special Master believed that other factors such as the package design also contributed to the commercial success, he concluded that there was not a "sufficient" nexus between the claimed

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20. Mead erroneously implies that the District Court found that all of the commercial success was due only to the package design and the use of a dividing pad. [Mead's Brief, p. 45]

subject matter and the commercial success. [A27 FF¶52; A42 CL¶50]

"It is not necessary, however, that the patented invention be *solely* responsible for the commercial success, in order for this factor to be given weight appropriate to the evidence, along with other pertinent factors." *Continental Can Co. USA Inc. v. Monsanto Co.*, 948 F.2d 1264, 1273, 20 U.S.P.Q.2d 1746, 1752-53 (Fed. Cir. 1991) (emphasis added). The *Demaco* case does not support Mead's argument to the contrary. *Demaco* does not say that commercial success "cannot be employed as evidence of non-obviousness" when the commercial success is a "by-product of various factors". [Mead's Brief, p. 44] Instead, "[o]nce a prima facie case of nexus is made the court must consider the evidence adduced on both sides of the question, with such weight as is warranted." *Demaco Corp.*, 851 F.2d at 1393, 7 U.S.P.Q.2d at 1227. "When a prima facie case is made and not fully rebutted, the district court may *not* totally ignore the objective evidence." *Id.* (emphasis added) That is what the Special Master did and it is what Mead desires this Court to do now.

Here, the testimony at trial clearly established that a substantial part of the commercial success of the Twin-Stack machine was *due to the merits of the invention*. As noted above, extensive evidence was presented regarding the benefits that are achieved with the combination of a "three-stream machine" and a barrel cam loader.

In addition, several of the factors believed by the Special Master to undercut Riverwood's prima facie showing of nexus are either clearly erroneous or should not have been

considered as a matter of law. For example, the Special Master found:

> Much of the commercial success of the Riverwood Twin Stack cartoner can be attributed to a development agreement entered into with Pepsi-Cola, who funded the development in return for which Riverwood granted rebates on cartons to Pepsi-Cola and an exclusive option on a first number of cartoners for use in the soft drink industry. [A28, FF¶54]

This finding, however, is at odds with the only evidence presented at trial regarding the so-called "Pepsi agreement."

According to the agreement, Pepsi paid Riverwood an advance of $75,000 to *accelerate* development of the Twin-Stack machine. [A1070-A1073; A279, p. 1290] In return, Pepsi received an option on a certain number of the first Twin-Stack machines for the soft drink industry only. [A1070-A1073; A279, p. 1290] If Pepsi decided to lease the machines, it would receive a credit against the lease fee then due. [A1070-A1073] Another *separate* agreement guaranteed Riverwood 100% of sales of cartons to be run on the machines for a six-year period of time. [A279, p. 1290-1291] This separate agreement contemplated that rebates could be given to Pepsi in some circumstances, based on a variety of factors. [A279, p. 1291]

These agreements clearly indicate that the Twin-Stack machine, itself, was commercially successful, not that the success was due to any agreement with Pepsi. In fact, this

evidence demonstrates Pepsi's belief that the machine was to become an important part of its business. That belief later became a reality.

That a customer of Riverwood desired the invention, and was willing to pay for receiving certain options to speed up its opportunity to use that invention, substantiates the fact that the invention has merit. If the Twin-Stack machine had not performed satisfactorily, it is likely that Riverwood would have lost the Pepsi business. *See Litton Systems, Inc. v. Honeywell Inc.*, 87 F.3d 1559, 1570, 39 U.S.P.Q.2d 1321, 1327 (Fed. Cir. 1996) (finding that although a lucrative contract was acquired at a time when the prior art was being used, there is a "reasonable inference" that the contract would have been lost without the invention), *vacated on other grounds*, 520 U.S. 1111 (1997). Instead of losing the Pepsi business, Riverwood's market share at Pepsi actually increased from about 10% to greater than 80-82% because of Riverwood's success with the Twin-Stack machine. [A278, p. 1282]

In addition, the Pepsi-Cola agreement has absolutely no bearing on the success of the Twin-Stack machine in the beer industry. Riverwood nearly doubled its annual gross revenue from the beer industry during the four-year period after introducing its Twin-Stack machine. [A277, p. 1279] Thus, even if it could be argued that the Pepsi agreement discounted the commercial success of the patented Twin-Stack machine in the soft drink industry, that agreement would have had no similar effect in the beer industry where Riverwood also enjoyed abundant commercial success.

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The Special Master erroneously focused only on Riverwood's Twin-Stack machine, and ignored the contribution of Mead's infringing DuoStack machine to the secondary considerations in this case. The law, however, requires that activities of their infringer also be considered. *Litton Systems*, 87 F.3d at 1569, 39 U.S.P.Q.2d at 1327 (noting that both plaintiff and defendant enjoyed commercial success with the patented invention); *see also Truswall Systems Corp. v. Hydro-Air Eng'g Inc.*, 813 F.2d 1207, 1215, 2 U.S.P.Q.2d 1034, 1041 (Fed. Cir. 1987) (Rich, J., dissenting) ("[O]nce an infringer is sued and proved to be an infringer, its sales are appropriately proved and added to the others." (emphasis in original)). Here, Mead's infringing DuoStack machine also was commercially successful and replaced a number of prior art machines. [A1655-A1667]

The Special Master also concluded, erroneously, that "the Twin Stack cartoner incorporated features that were not within the scope of the '806 patent but rather were within the scope of four other Riverwood patents." [A27-A28, FF¶52] In actuality, evidence was presented at trial that features *shown* in several other patents were included in the Twin-Stack machine. [A280, pp. 1294-1298; A1505-A1507; A706-A712; A1509-A1512; A713-A723; A1542-A1543; A731-A751; A1545-A1546; A1549-A1551; A752-A760; A1560-A1561; A761-A786; A1576-A1577; A813-A828; A1584-A1585; A787-A812] The '806 patent is directed to the overall machine concept, not to a particular component of the machine. In contrast, each of the features relates to either a component or an embodiment of a machine built in accordance with the '806 invention. There is no evidence that any of these features, in and of themselves, are solely or

primarily responsible for the commercial success of the machine. Instead, the testimony is that the overall machine, including its features, is the reason for the commercial success. Furthermore, there was absolutely no evidence that the inventions of these other patents were not "within the scope of the '806 patent." Where a successful machine embodies the claims of multiple patents, "all are entitled to the benefit of the overwhelming success to which each has contributed." *Panduit*, 774 F.2d at 1100, 227 U.S.P.Q. at 349.

b. *Riverwood Produced Significant Evidence of Copying by Mead*

Regarding the secondary consideration of copying by the infringer, the Special Master found:

> Mead has developed and marketed a cartoner incorporating the subject matter of claims 1 and 13 of the '806 patent, which it markets under the name DuoStack. There is evidence that Mead was aware of development of Riverwood's Twin Stack cartoner, which would tend to support evidence of copying. However, there is no evidence that the Mead DuoStack was a copy of the Twin Stack cartoner. [A28, FF¶53]

Thus, even though Mead used Riverwood's invention, and even though evidence was present that "would tend to support evidence of copying," the Special Master believed that there was no evidence that Mead had copied Riverwood's patented machine. Apparently, the Special Master believed that evidence supporting an inference of copying could not be

considered unless there was also direct evidence of copying. This was legal error. There was evidence of copying.

Circumstantial evidence of copying is, in and of itself, competent evidence that copying occurred. *Century Wrecker Corp. v. E.R. Buske Manufacturing Co.*, 913 F. Supp. 1256, 1273 (N.D. Iowa 1996). The Plaintiff must show only that the general concept embodied in the claims was copied, not that the infringer slavishly copied minor and unclaimed details. *See Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1414, 40 U.S.P.Q.2d 1065, 1068 (Fed. Cir. 1996) (in context of willful infringement finding, "slavish copying" to prove copying is not required); *see also Vandenburg v. Dairy Equipment Co.*, 740 F.2d 1560, 1567, 224 U.S.P.Q. 195, 199 (Fed. Cir. 1984) (court rejected evidence of copying where the facts showed basic concept of the invention had been developed independently by the infringer).

The evidence presented at trial provides substantial and compelling evidence that Mead's DuoStack machine is a copy of Riverwood's patented Twin-Stack machine. Many of Mead's employees had a copy of a drawing of a Riverwood Twin-Stack machine prior to Mead finalizing the design for the DuoStack machine. [A1598; A156-A157, pp. 555-559; A1930, p. 18; A1702, p. 37; A1703, p. 41; A1726, pp. 54-55; A1868-A1869, pp. 38-40; A1914, p. 73] In addition, an internal memorandum authored by one of Mead's engineers warned Mead to "not follow what RIVERWOOD is doing". [A1635-A1637; A1704-A1705, pp. 47-52 (emphasis in original)] In the memorandum, Mr. LeBras proposed a two-stream design having angulated guide rails, which Mead did

not use. [A1635-A1637] Instead, Mead proceeded with a machine that was structurally very similar to the Riverwood Twin-Stack machine and which was an infringement of the '806 patent.

Furthermore, the activities of an individual named Joe Borocz point to copying by Mead. Mr. Borocz was an employee of Riverwood when the Twin-Stack machine was being developed. In fact, Mr. Borocz, in his position as director of marketing for Riverwood, had complete and total responsibility for the development of the Twin-Stack project, including responsibilities for interfacing with the packaging design group, the machinery engineering group, the sales groups, the marketing group, the legal group, and customers. [A276-A277, pp. 1272-1273, 1275-1276]. During his employment at Riverwood, Mr. Borocz was totally involved in all aspects of developing the Twin-Stack package and machine. [A276, p. 1273; A1675-A1676]

In September 1992, Mr. Borocz left Riverwood and immediately began working for Mead. [A1815, p. 16] At Mead, he quickly became responsible for the introduction and commercialization of Mead's competing DuoStack project. [A1921, p. 101] Shortly after joining Mead, Mr. Borocz, in fact, attended a meeting in Mead's office in France during which he described the structure and scope of the Riverwood Twin-Stack machine to Mead's engineers in attendance. [A1634] In addition, during this meeting, Mr. Borocz informed Mead employees that a patent application had been filed on the mechanical concepts embodied in the Twin-Stack machine. [A1634; A1700, pp. 30-31; A1703-A1705, pp. 42-46, 48-50] Thus, Mr. Borocz clearly informed

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Mead's designers about Riverwood's design at a time when Riverwood's design was confidential.

Moreover, prior to Mr. Borocz leaving Riverwood, the intended design for the Twin-Stack machine included an overhead structure located at the top of the machine and positioned over the location where the cans would be after they had been stacked in layers. [A293, pp. 1374-1375; A1598] This overhead structure was known as a "nesting compression belt". [A293, pp. 1374-1375; A 1598] After Mr. Borocz left Riverwood, Riverwood decided not to use this overhead structure in designing its Twin-Stack machine. [A293, pp. 1375-77] The "overhead compression belt" is on the floor plan of the Riverwood machine that Mead had in its possession and Mead included a similar structure on its DuoStack machine. [A1598; A1621; A157, pp. 560-562; A1856, pp. 180-81] Mr. Borocz testified that the overhead structure on the Mead machine was a "compression" mechanism, but that it was unnecessary to the operation of the DuoStack machine. [A1856, pp. 180-182] In fact, Mr. Borocz requested Mr. Culpepper to remove the overhead structure to streamline the appearance of the DuoStack machine. [A1856, pp. 180-181] This evidence clearly supports the inference that Mead copied Riverwood's patented machine. The Special Master's finding to the contrary is clearly erroneous.

c. *Both the Twin-Stack and the DuoStack Machines Replaced Prior Art Mead Machines at Customer Locations*

The evidence presented at trial showed that many of Riverwood's 100 Twin-Stack machines and Mead's 33 infringing DuoStack machines replaced prior art Mead machines that had been in customers' facilities. [A1661-A1666; A1856-A1857, pp. 182-184] The replacement of prior art machines by machines embodying the invention is evidence that the invention would not have been obvious. *Kansas Jack*, 719 F.2d at 1150-51, 219 U.S.P.Q. at 861. This factor, like commercial success and copying, should have been considered by the Special Master as part of the obviousness inquiry, instead of considering whether such factors would "overcome" the obviousness of the invention.

CONCLUSION

After reviewing the record from trial, it should be clear that the District Court's judgment that the '806 patent had not been proven invalid should be affirmed. The claimed invention is, as found by the Patent Examiner, an unobvious combination that combines a three-stream cartoner with a barrel cam loader. Mead has not demonstrated on this Appeal that one of ordinary skill in the art would have chosen a three-stream cartoner from the prior art at the time of the '806 invention and then equip that prior art cartoner to replace the angled guides with a barrel cam loader. Accordingly, the District Court's judgment should be affirmed.

Appendix A

Respectfully submitted,

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APPENDIX B — TRANSCRIPT OF ORAL ARGUMENT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED FEBRUARY 9, 2000

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

99-1274

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

– against –

THE MEAD CORPORATION,

Defendant-Appellant.

February 9, 2000

Audiotape Transcription of
ORAL ARGUMENT

BEFORE:

CHIEF JUDGE MAYER
CIRCUIT JUDGE SCHALL
CIRCUIT JUDGE GAJARSA

* * *

Appendix B

[3] THE COURT: The next case is No. 99-1274, Riverwood International Corporation v. The Mead Corporation.

Mr. Coll?

MR. COLL: Good morning, your Honor.

If it please the court, we bring this appeal from a judgment — a portion of a judgment entered by the Northern District of Georgia. That portion of the judgment that found that patent Ziegler 806 was valid and was not valid under 103 obviousness standards. Now, this case was not tried though before Judge Moye in the Northern District. This case —

THE COURT: I apologize. One procedural question. It's up here on the basis that the judge granted summary judgment, correct?

That is what he granted, correct? It says he granted summary judgment.

MR. COLL: No.

What happened here, your Honor, [4] was that the case was tried — it was a plenary trial —

THE COURT: I understand. It was before the special master.

MR. COLL: Before the special master. And then a recommendation was made by the special master which

would constitute as it should, special findings of fact and conclusions of law. Upon receipt of those findings of fact, and conclusions of law, the parties made their various objections with regard to those findings.

Judge Moye accepted all of the findings of fact without qualification, without exception. He indeed praised the ability and the breadth and thoroughness of those findings of fact.

However, he rejected one conclusion of law. He accepted the conclusions of law that related to infringement, that related to anticipation, that related to (inaudible.)

[5] THE COURT: I understand that. But it says in A9 he entered partial summary judgment.

I agree that — I was just trying to see, you are absolutely right. It seemed to me that, I was wondering why does he say entering partial summary judgment. Obviously you would have thought he would have said I accept the findings of fact but come to a different legal conclusion.

MR. COLL: I'm sorry. Your Honor, your reference was?

THE COURT: A9. The addendum. It says — well maybe that is just a mistake.

MR. COLL: I think that the order is fashioned or the judgment is fashioned because of the fact that the case still has a portion to be tried. It was bifurcated. And the damage portion has yet to be tried. Therefore it was what was tried what the liability issues and then those [6] liability issues

were entered as final judgment in order to allow that appeal to occur here.

THE COURT: I agree the way you laid out the case. I just couldn't understand why it said summary judgment. But you've cleared it up.

MR. COLL: That happens to be the circumstances.

In any event, at the time of the recommendation was made, the patent holder, the patentee, had to object to a dozen and a half findings of fact in order to make it's argument that the patent — the invention was (inaudible) none of those 18 objected to findings of fact were in any way modified or rejected by Judge Moye.

Instead, what Judge Moye did was in — he appeared to be stymied, for lack of a better word, by the presumption of validity and the presumption of administrative regularities.

[7] This patent had obviously been granted, some of the prior art was before the special master had been before the examiner. And upon that he found, despite the fact that he had already accepted all of the evidentiary findings, all of the findings of fact, as being established on clear and convincing evidence, he found that the conclusion as to obviousness wasn't clear and convincing. That's not the standard.

It is our position on appeal — it was our position before him, that that factual record that he had established could lead but to one conclusion on obviousness, and that is that it wasn't obvious, and it was invalid under 103.

Appendix B

-Now, what this patent relates to is a cartoning machine, a large automatic machine that loads bottles, cans or other articles into cardboard containers. And the issue here boils [8] down to a fairly simple statement. There were there are two-stream cartoners and there are three-stream cartoners.

There is a history and there is testimony that fixed angle guides, which is the old loading device, and barrel cam loaders have been interchangeable for sure in two-stream devices.

The question was did the art, did the prior art, teach the desirability of combining the barrel cam loader in a three-stream device. And there is a particular finding in there that is interesting. Because the way these machines work is, and the way it is defined in this patent the claim is described in this patent; stream No. 1 is the conveyor that brings the articles, the bottles and cans, into the machine; stream No. 2 is that conveyor that selects, that is puts the cans into the requisite number that [9] will go into the carton; stream No. 3 is the carton. And it is when the articles have been selected into the requisite number and the carton is now parallel with it that the force — either the angle guide or the barrel cam loader pushes or directs the cans into the carton.

The finding that it's apt, and it is the one that says it is apt, that because at the time that the loading, in fact, occurs there are only two streams in operation: The stream with the selected articles, the stream with the cartons, and then the barrel cam loader or the angle guide directs or pushes.

We have, at trial, established to the satisfaction of the master, and apparently upon the confirmation of that portion

of the report, to the satisfaction of the judge, that three-stream and two-stream were common, well known, and used in the [10] industry in the art.

The barrel cam loader and angle guides were interchangeable. Indeed a piece of art, prior art, that was before the court, and before the master, was the item called the Pillsbury machine which not only showed that one could sit down when one made a machine and decide well do I want to put a barrel cam loader on it, or put an angle guide on it. What that piece of prior art said is that I can put them both on the machine and then depending on the day I'll use whichever one I wish.

THE COURT: Doesn't Langen-959, in fact, mentions cam loaders, doesn't it? It says that there are cost disadvantages, doesn't it, but it does mention them in a setting.

MR. COLL: It mentions it not only in the setting of an automated cartoner, it mentions them as — if one reads the language in its plain [11] meaning, that they can be used — what it says is there is an expense attendant to the manufacture of it, and there is an expense attendant to the maintenance of it.

I mean, that doesn't teach away. In fact, that teaches the desirability. Because what it says is, and what much of the other prior art says, there are advantages to the barrel cam loader that are not available in the angle guide relating to the pressure, the ability to push the cans in an affirmative fashion into the box, rather than having an angle guide that just directs it into the box.

THE COURT: You get a snugger fit.

MR. COLL: Snugger fit. Better fit and depending on the size or the shape of the container maybe an easier fit because of the way it pushes them rather than let them stack up against each other.

[12] So, we have before the examiner were two pieces of art that are at play here. That is Langen-959 and Langen-077. We had now at trial, LeBras, the Calvert European patent, the Pillsbury machine, and very importantly the admission of Mr. Zeigler, the co-inventor, who says that yes, three-stream art, two-stream art is well known. There is a suggestion — my mouth's getting a little dry — excuse me. There is a suggestion in the briefs that three-stream art has somehow become obsolete, gone out of favor, disappeared. Whether or not that is the case it's legally irrelevant, but it wasn't the case and Mr. Zeigler spoke about it in his testimony. We have Mr. Thomas who is a technical expert who testified on behalf of the appellee that it did teach — it was suggested that the, desirability was suggested, of combining these two [13] features if there was a reason. The reasons were avoiding infringement, nature of the containers, and positive push, all of which were reasons that came into play here.

So we have those admissions — and that Pillsbury machine, the LeBras patent, the EPO333 and these admissions obviously weren't before the examiner, and, therefore the Judge's sort of feeling chained to those presumptions was not appropriate.

THE COURT: Why don't you just take a pause, and take a sip.

MR. COLL: I will if you don't mind. I'm sorry.

THE COURT: We won't count that time against you.

MR. COLL: Excuse me. I'm into my rebuttal time I just want to — the other thing on this appeal, the Appellees do a lot of flanking and sort of lateral attacks on the basic factual findings except for the secondary [14] considerations. And those they have to take head on. Because they recognize that on that record a presumption of, I'm sorry, a prima facie case of obviousness was made. And under the law they had to come up to rebut that with the secondary considerations. And they failed on every one of the secondary considerations, and as a result of that they have to take those on in their brief and they have. That is — and they have not shown what is necessary to overturn any of them. And that is an evidentiary record that says to you that you should have a clear and firm conviction that a mistake was made on those secondary considerations.

I'll sit down now and use my time later. Thank you.

THE COURT: Mr. Manning?

MR. MANNING: Thank you, your Honor.

May it please the court. What we really have here is a situation where [15] Judge Moye after listening to the objections that were filed as to the master's report looked at

the matter and he says that the findings of fact on the critical issue were not adequate. The critical issue is, as counsel stated, the question of the three-stream device.

Now, in this three-stream device, putting this into the real world scenario, these machines are big machines. These machines are fast machines. And they must be accurate machines. By way of example, in a soft drink plant or in a beer plant, they will package bottles or they will package cans and looking at the normal industry speeds, what we are talking about, your Honors, is a machine that during the time that I'm allotted here today, it will pack 36,000 cans. That is a huge number of cans. And if one falls, or one topples, it stops. So, these machines have to be accurate.

[16] And particularly in their briefs Mead would have you believe — the special master, in fact, stated that the inventors of the 806 patent simply went from the angle guide, which they dropped because of a patent infringement scenario, to the barrel cam loaders, but that's not true. And, in fact, both parties include in their briefs what did happen.

It was the fourth scenario when the 806 inventors came up with what is now the patent that is before this court.

The first time they came up with a two-stream device where the cans fit in into both sides which is typical for a two-stream device, where they were loaded into the cartons with the angle guides. Mead threatened with patent infringement. They said okay we won't do that.

The second trial was similar except that also a two-stream device, [17] they used flight bars that cammed in from

the sides to separate this pay load that goes into the carton, and still loaded into the carton with an angle guide. They felt that the complexities of that machine were too great for the marketplace, and so they abandoned that trial.

The third trial, they still were with a two-stream device came straight into the machine with the cans, cammed in the flight bars to separate the cans into the payloads, and then pushed with what we call the barrel cam loader.

They then found the Langen-077 patent, and counsel advised them not to make that, so they dropped the third iteration.

So it was four iterations. So in a real world scenario not the first, not the second not the third but it was the fourth try when these inventors came up with this invention. That speaks to nonobviousness.

[18] Secondly, Mead did the same thing. They went through five to seven iterations, before they came up with what has been adjudged as the infringing structure.

Now they had advantages for doing that. They had for example as is set forth in the brief they had one of our employees. They knew what we were doing. They had an employee from Riverwood that, in fact went to France, the evidence shows and told them what we were doing, Mr. Borocz. They had the situation where they started with a two-stream device as well, and after these five or so iterations came up with the infringing structure.

Appendix B

THE COURT: Mr. Manning, what you are reciting, for the record, is this relating to secondary considerations in some way?

MR. MANNING: I think it does show that, your Honor. I think it does two things.

[19] THE COURT: Because, let me just ask one question. As I read the briefs, and correct me if I am wrong, the sense I had was that in terms of the findings of fact with the special master that were then adopted by the District Court, the only area in which you challenge the findings is on the secondary considerations; is that correct?

I mean, it didn't seem to me that there was a real challenge to any of the fact findings of being clearly erroneous, except in the area of secondary considerations. Like you don't challenge what the prior art teaches, but you do challenge secondary considerations — now the findings, am I right or wrong on that?

MR. MANNING: You are right on a big part your Honor, but —

THE COURT: Pardon?

MR. MANNING: — not totally.

THE COURT: Where is the [20] challenge outside of the area of secondary considerations?

MR. MANNING: Well, for example, we believe that clearly from the face of the 959 patent that is teaching away,

the fact that it mentions an escalator is a complex mechanism. That is not a mention of an escalator in a three-stream device. That is nothing more than saying these are things that have been used in the past.

THE COURT: You are saying Langen-959.

MR. MANNING: Langen-959. That is one area, your Honor.

Second area that we think that — in each of these prior art references that were mentioned, LeBras, Pillsbury and the European 333, we think there are flaws in each of those findings.

We do not believe that they are general teachings of substitutions of a barrel cam loader for an angle guide, but instead are specific for a [21] particular reason and, in fact, are all two-streamed as well.

THE COURT: But doesn't the 959 patent disclose the barrel cam?

MR. MANNING: It discloses in the background as having been used in the past.

THE COURT: But it is disclosed as prior art, isn't it?

MR. MANNING: It is disclosed as prior art, that is correct.

THE COURT: Now, let me ask you a hypothetical question.

Appendix B

If I have a patent which I disclose using red wire and blue wire. I say the blue wire is too expensive, but I disclose it in my patent and five years later after the patent issues, the blue wire becomes cheaper than the red wire, and then somebody else files a patent application for the blue wire, should that patent issue?

MR. MANNING: No, sir.

THE COURT: Because it's [22] disclosed in the prior art.

MR. MANNING: Yes, sir.

THE COURT: Isn't that the case here?

MR. MANNING: No, sir. Not in my opinion.

If you look to what the Langen-959 patent says, it is talking about what has been used in the past.

It does not say that a barrel cam loader has been used in the past in a three-stream device. And, in fact it refers in the body of the specification to an earlier Langen patent, 068 patent. And in that 068 patent, there is such an escalator shown that's in a two-stream device.

So, what Mr. Langen is talking about in that patent is sure these things have been used before in a two-stream device. They were in use. But never in this particular combination. Never with a three-stream device.

[23] THE COURT: What about the combination of the two Langen patents, the 077 and the 959?

MR. MANNING: Well, what you are doing there is going through it quickly. And Langen-959 is a three-stream device, Langen-077 is a two-stream device. And we think that the real world again, speaks to that. They are both Mr. Langen's. And if you look at what happened after this machine, the 806 machine, went to the marketplace, it would seem Mr. Langen, had it been obvious, would not have gone back to the two-stream device. He left the three-stream concept that he had in the 959 and when he went to the 077 he went to a two-stream device where he has the cammed-in flight bars, he has the cans coming straight in, or the bottles, and the barrel cam loader. So we think that it's instructive that he himself went away from the 959. So we don't see that as any suggestion or [24] teaching to make the combination. And obviously our position is, your Honor, that neither did the examiner. Because he had both the 959 and the 077 before him, in fact, they are both mentioned in the specification of the 806 patent. And they were both set forth in an IDS to the patent office. And copies of each patent were given to the examiner. So, we do not believe to that combination — we don't think it renders it obvious. There is no question. And we admit that if you add a barrel cam loader, then you've got the four elements. But we don't believe there is a teaching to do that. And there is a big distinction in the market as far as we are concerned between the three-stream and two-stream. We think the marketplace has borne that out.

We, in fact agree with Judge Moye that the evidence presented at trial fails to show the obviousness based on [25] this critical issue of the three-stream device.

And Mr. Coll said that three-stream cartons are well known. Not true. The only evidence before this court of the three-stream cartoner is Langen-959. Every other patent and the Pillsbury machine are two-stream devices. The art had gone totally away from that. And so, if you really look to the art as a whole as to what it would teach one of the ordinary skill it would teach them that a two-stream is the way to go in the first place. Now —

THE COURT: All of the findings of the master, of significance, were sustained by the District Court, right?

MR. MANNING: Yes, sir.

THE COURT: Well, do you agree that it's our duty now to take a look at those findings and come to a conclusion ourselves as a matter of law whether obviousness has been —

[26] MR. MANNING: Well my understanding is that — I'm sorry, our Honor.

My understanding is that you do the review de novo, and that in looking at whether or not Judge Moye was right, I think yes you have to look at those. And we have set forth in our brief where we feel that there is clear error in the particular factual findings. The most egregious perhaps is in the commercial success and in the copying. And of course

using the iterations that I mentioned that Mead went through, we consider those as failures of others. Everything you look at in this case shows that it was not obvious. And when these products hit the marketplace, by 1994, according to the list of placements in the record there were 64 of these machines, and they lease at our cost for $430,000 and you can see that is quite an amount. The evidence at trial was 133 machines, [27] that's $59 million dollars worth of machines.

THE COURT: Is there any evidence in the record below that you can point to that shows, in fact, that the commercial success was attributable to the invention?

MR. MANNING: I think so, your Honor, by way of testimony. Gordie Wilkinson testified at trial based upon the Twin Stack machine which is Riverwood's machine, that these successes occurred. And he mentioned 100 Riverwood machines, 33 Mead machines. And, of course, the Mead machines were not considered at all by the special master. And he said they were a result of the Twin Stack machine, and of course the special master said that the Twin Stack machine was commercially successful. He also said it embodied the 806 invention. Which according to our understanding is nexus, the prima facie case of nexus.

[28] The fact that there were other things on the machine, he mentioned four other Riverwood patents. We do not believe that if you have the technology where you can have four patents to cover a machine that you should penalize one of them because of commercial success. And we submitted evidence, testimony evidence, your Honor, of the market share that prior to the introduction of the Twin Stack machine Riverwood's market

share in the soft drink industry was 30 percent, at the time of trial it was 50 percent. He mentioned —

THE COURT: Is there any tie-in between the increase in the market share and the actual invention itself?

MR. MANNING: The tie-in?

THE COURT: What is the nexus?

MR. MANNING: The nexus is, your Honor, several things.

No. 1, as stated by the special master, the invention is embodied in [29] the machine.

Secondly, Mr. Wilkinson testified that in the last four years, and this was at trial, that while Riverwood had sold — not sold, leased 100 of these machines they had only leased 12 of other machines, single stack machines. And of course, it's embodied in the invention. I don't know that we can show you any direct evidence that a customer said I am leasing this machine because it has the three-stream device. I can't say that. But certainly when you look at the fact that the invention is embodied there as found by the special master, and that it had the flexibility that the invention has — this is the thing that caused the machine to be popular. No other machine in the world with a patent, for example the Double Stack.

THE COURT: But the special master did not find any nexus with regard to the secondary considerations [30] of the increased market share.

MR. MANNING: Well, the — sorry, your Honor. He said insufficient nexus. Insufficient nexus means to me nexus has been found, but not enough, in his opinion.

THE COURT: But not enough.

MR. MANNING: And we think that he is wrong there. For example — my time is up.

THE COURT: You can answer the question.

MR. MANNING: He mentioned the Pepsi-Cola product. That Pepsi-Cola had a single agreement, that Pepsi-Cola paid $75,000 to fund the development. This is not true. Pepsi-Cola paid 75,000 to accelerate the development, so they could get the machines. There were two agreements. The other as to the rebates, that is was in a totally separate agreement. We think the fact that Pepsi-Cola ended up through the end of '94 with $15.9 million worth of [31] these machines, speaks to the success of the machine.

We believe, your Honor, that Judge Moye was correct and that the judgment should be affirmed.

MR. COLL: — drink a little water before I get up here.

Just to touch on a couple of the points that my opponent raised. One, he does attack the facts here under the guise of law. For example, teaching away finding, that is a factual finding that the law tells us — Panduit in re (inaudible) — they tell us those are factual findings. They are not legal findings. Yet he argues that it's a legal finding and, therefore

it's de novo, it's reviewed de novo, when it isn't reviewed de novo. It is reviewed on clear error standard.

The secondary features — I'm sorry, the secondary considerations. The machines, the success of the machines, were testified to principally [32] by a fellow named Wilkinson.

Wilkinson said when asked on cross-examination, how do you attribute the sales and the purported success relative to the various attractive features of the machine which are covered by patents and not by patents. He said he couldn't. He did not know.

The figures they gave with regard to market share. Whether it was in the soft drink industry or beer industry were all not tied to the machine. All they used the machine for, was sort of a start date. We have a machine. We sold a lot of machines. We sold a lot of paper. We sold a lot of cartons. But we have a start date, that's the machine date when it's on the market, and thereafter we just tell you what our market share is. Our market share has improved, but it can improve for any number of features. And it was for those reasons that the special master said there is insufficient nexus to [33] show success. He found that there was no — on the other features, the other considerations he found that there was no wanted or unmet need. They didn't even appeal that below when they went from the special master to the judge.

Copying. They mentioned that there — they claim that there is copying. There is no record below. So that when they address those secondary considerations, when they

address those objective evidentiary issues they can only do that on the basis of clear error, and that standard is a firm conviction that a mistake was made. And this record does not allow you, I believe, to make that kind of — to achieve that result.

So, we have a prima facie case because we have a teaching, we have a factual finding of teaching, they have not attacked that other than as I say a flank basis claim that it's a legal conclusion when it isn't. We have a [34] prima facie case. It was established on those findings of fact clear and convincing evidence that this combination was obvious and once that was found unless they can rebut that with the secondary considerations, with the objective evidence, which they failed to do below, they cannot have that judgment below of nonobviousness affirmed. Thank you.

THE COURT: Was that finding of this insufficient nexus allowed to stand by the District Court?

MR. COLL: It was.

Thank you.

THE COURT: Thank you.

The case is submitted.

* * * *

(3)

No. 00-442

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

RIVERWOOD INTERNATIONAL CORPORATION,

Petitioner,

v.

THE MEAD CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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REPLY BRIEF

I.

THE PETITION FOR A WRIT OF CERTIORARI SHOULD BE GRANTED BECAUSE EVEN THE RESPONDENT ADMITS THAT THE FEDERAL CIRCUIT FAILED TO FOLLOW THE SUPREME COURT'S INSTRUCTIONS TO *EXPLICITLY* APPLY THE STANDARD OF REVIEW.

In *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986), this Court granted a petition for a writ of certiorari, and vacated the Federal Circuit's decision below because the Federal Circuit failed to *explicitly* apply the clearly erroneous standard of review to findings of fact. In that decision, this Court stated:

> The Federal Circuit, however, did not mention Rule 52(a), did not *explicitly* apply the clearly erroneous standard to any of the District Court's findings on obviousness, and did not explain why, if it was of that view, Rule 52(a) had no applicability to this issue. We therefore lack an adequate explanation of the basis for the Court of Appeals' judgment: . . .

Id. at 811 (emphasis added). The situation presented to this Court in the present case is similar, if not identical, to the scenario presented by *Dennison Manufacturing*: The Federal Circuit has not *explicitly* applied the clearly erroneous standard to the district court's findings on obviousness. Even the Respondent admits that the Federal Circuit has not explicitly applied the clearly erroneous standard to any of

the District Court's findings on obviousness. In its Brief in Opposition, Respondent asserts:

> Because the Federal Circuit's opinion *did not include an express analysis* of Petitioner's unavailing attacks on the findings of fact, Petitioner claims that the court failed to follow the dictates of *Panduit II*.
>
> . . . .
>
> Petitioner seeks review by this Court due to the *absence of an explicit statement* in the Federal Circuit's opinion that the findings of fact below were not clearly erroneous.

Brief in Opposition at 10, 13 (emphasis added). In fact, as admitted by the Respondent, the Federal Circuit's opinion below *does not contain any reference* to the clearly erroneous scope of review for any of the findings of fact. *See Riverwood International Corp. v. The Mead Corp.* 212 F.3d 1365 (Fed. Cir. 2000).

Therefore, the Supreme Court should grant the petition for a writ of certiorari to review, or at least vacate and remand, the decision of the Federal Circuit below because of the failure to *explicitly* apply the clearly erroneous scope of review to the findings of fact underlying the obviousness determination.

II.

THE PETITION FOR A WRIT OF CERTIORARI SHOULD BE GRANTED BECAUSE THE FEDERAL CIRCUIT FAILED TO REVIEW THE UNDERLYING FINDINGS OF FACT DESPITE EXPRESS REQUESTS FROM THE PETITIONER.

The Federal Circuit did nor err solely in failing to set forth in its opinion an explicit application of the clear error scope of review. Rather, the Federal Circuit also failed to actually conduct a review of the findings of fact for clear error as requested by Petitioner.

After the Supreme Court's decision in *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986), the Federal Circuit has *explicitly and expressly* indicated when it was applying the clearly erroneous scope of review. *See, e.g., Robotic Vision Systems Inc. v. View Engineering Inc.*, 189 F.3d 1370, 1376 (Fed. Cir. 1999) ("The underlying factual determinations on which the legal conclusion of non-obviousness is based are reviewed for *clear error*.") (emphasis added); *The Gentry Gallery Inc. v. The Berkline Corp.*, 134 F.3d 1473, 1478 (Fed. Cir. 1998) ("On appeal from a bench trial, we review the legal conclusion of non-obviousness de novo, and the factual inquiries underlying that conclusion for *clear error*.") (emphasis added); *B.F. Goodrich Co. v. Aircraft Braking Systems Corp.*, 72 F.3d 1577, 1582 (Fed. Cir. 1996) ("A determination of obviousness is based on factual inquiries, which we review under the *clearly erroneous* standard.") (emphasis added).

No such explicit application of the clearly erroneous standard of review to the factual findings appears in the

Federal Circuit's opinion below in this case. *See Riverwood International Corp. v. The Mead Corp.* 212 F.3d 1365 (Fed. Cir. 2000). The opinion also does not address any of the challenges, explicitly or implicitly, to the underlying findings of fact raised by Petitioner in its Brief of Appellee.

Moreover, if the Federal Circuit had explicitly set forth the scope of review as required by this Court's decision in *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986), then Respondent would not be forced to make a strained argument in its Brief in Opposition in an attempt to show that the Federal Circuit conducted the review requested by Petitioner. Instead, Respondent would simply cite to language in the Federal Circuit's opinion explicitly indicating the application of the clearly erroneous scope of review. No such citation appears in Respondent's Brief in Opposition.

Instead, Respondent cites to that portion of the Federal Circuit's opinion indicating that its "task is to *examine the findings*. . . ." Brief in Opposition at 13. Of course, this language simply does not *explicitly* indicate that the Federal Circuit applied the clearly erroneous standard of review to the findings of fact underlying the district court's obviousness determination.

Therefore, this Court should grant the petition for a writ of certiorari because the Federal Circuit did not review the underlying findings of fact for clear error as requested by Petitioner and as required by the decisions of this Court.

III.

THE PETITION FOR A WRIT OF CERTIORARI SHOULD BE GRANTED BECAUSE, AS ADMITTED BY THE RESPONDENT, PETITIONER REQUESTED A REVIEW OF THE CLEAR ERRORS IN THE UNDERLYING FINDINGS OF FACT IN BOTH ITS BRIEF OF APPELLEE AND IN ORAL ARGUMENT BEFORE THE FEDERAL CIRCUIT.

Respondent agrees that Petitioner is not required to file a Notice of Appeal to challenge the underlying findings of fact. Brief in Opposition at 7-8. Respondent also admits that "Petitioner did attack the findings of fact on appeal; . . ." *Id.* at 7.[1]

As admitted by the Respondent, the transcript from the oral argument before the Federal Circuit demonstrates unequivocally that Petitioner did in fact request the Federal Circuit to undertake a review of the clear errors in the underlying findings of fact Petitioner asserted both in its brief and at oral argument. As stated by Petitioner at oral argument:

> My understanding is that you do the review de novo, and that in looking at whether or not Judge

---

1. This admission directly contradicts Respondent's assertion, on page 1 of the Brief in Opposition, that: "Petitioner, recognizing the lack of evidentiary support to attack the district court's findings of fact as clearly erroneous, made a strategic decision *not* to rely upon purported clear error in the findings of fact." Brief in Opposition at 1. Also in contradiction, Respondent states: "Petitioner willfully ignores the express indications that the Federal Circuit did consider *Petitioner's challenges to the factual findings*, . . ." *Id.* at 13 (emphasis added).

> Moye was right, I think yes you have to look at those. And we have set forth in our brief where we feel that there is *clear error* in the particular factual findings. The most egregious perhaps is in the commercial success and in the copying.

See 72a of Appendix B to the Brief in Opposition (emphasis added).[2]

Furthermore, Petitioner's Brief of Appellee[3] also unequivocally asserts clear errors in the underlying findings of fact and requested review of those findings in the event the Federal Circuit believed the district court's legal conclusion was incorrect:

> While the ultimate result of the Special Master's error was corrected by the District Court's Judgment, Riverwood [Petitioner] believes that this error may have caused the District Court to improperly discount the substantial evidence of secondary considerations. If this Court decides that the District Court misapplied the clear and convincing standard, then Riverwood [Petitioner] believes that at least the following factual findings should have been made by the Special Master.

See 46a of Appendix A of the Brief in Opposition. Following this statement, Petitioner then set forth, in ten pages of its

2. Interestingly, in its Brief in Opposition, Respondent cites only part of this colloquy between Petitioner and the Federal Circuit and thereby leaves out that part of Petitioner's response unequivocally raising the request for "clear error" review. *See* Brief in Opposition at 14.

3. Reprinted in Appendix A of Respondent's Brief in Opposition.

Brief of Appellee, numerous clear errors in the Special Master's findings of fact, including citations to the record and arguments as to what fact findings should have been made as opposed to the clearly erroneous findings. *See* 47a-56a of Appendix A of the Brief in Opposition. Petitioner also asserted clear errors in the underlying factual findings elsewhere in its Brief of Appellee to the Federal Circuit. *See, e.g.*, 23a, n.13, 28a-29a, 33a-35a, 38a.

Therefore, the petition for a writ of certiorari should be granted because the Federal Circuit did not review the underlying findings of fact for clear error despite being so requested by Petitioner in its Brief of Appellee and during oral argument.

IV.

PETITIONER IS NOT ASSERTING THAT THE FEDERAL CIRCUIT MUST "PUBLISH AN EXPRESS ANALYSIS OF EVERY FACTUAL FINDING" IN APPLYING THE CLEARLY ERRONEOUS STANDARD.

Respondent sets up for easy defeat the imaginary argument that the Petitioner is somehow asserting that *Panduit Corp. v. Dennison Manufacturing Co., (Panduit II)*, 810 F.2d 1561 (Fed. Cir. 1987), *cert denied*, 481 U.S. 1052 (1987) requires the Federal Circuit to "publish an express analysis of every factual finding in determining whether it is clearly erroneous." Brief in Opposition at 11. Respondent provides no citation to the pages of the Petition for a Writ of Certiorari because no such assertion by Petitioner can be found there.

Petitioner *is not* arguing that the Federal Circuit must publish an opinion expressly addressing each and every factual detail set forth by the parties on appeal.

Petitioner *is* arguing that the Federal Circuit failed to conduct *any* analysis of the findings of fact under the "clear error" scope of review, and that the Federal Circuit improperly defined its scope of review by focusing only upon the issues challenged by Respondent while completely ignoring the issues raised by Petitioner.

More specifically, the Federal Circuit has simply ignored Petitioner's assertions of clear error in the underlying findings of fact and issued an opinion that does not provide an analysis of *any* factual finding. Furthermore, in failing to address *in any way or to any extent* Petitioner's assertions of clear error, the Federal Circuit has failed to follow its own precedent in *Panduit II* and the directive of the Supreme Court in *Dennison Manufacturing Co. v. Panduit Corp.*, 475 U.S. 809 (1986) to explicitly apply the standard of review. As a result, the Federal Circuit has excluded Petitioner from any judicial review on the issue of clear errors in the underlying findings of fact.

Thus, contrary to the assertions of Respondent, Petitioner is requesting a writ of certiorari in an effort to finally obtain for the first time a "clear error" review of the findings on obviousness — not to obtain a more complete or detailed review as suggested by Respondent.

CONCLUSION

This Court should grant the petition for a writ of certiorari to review, or at least vacate and remand, the Federal Circuit's decision below.

Respectfully submitted,

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